FINANCIAL TIMES

No. 27,573 Thursday June 1 1978 ***15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Ptas.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Europe nuclear pledge by U.S.

President Carter yesterday gave a firm undertaking that the U.S. would use the full force of its military might, including strategic nuclear weapons, to defend Western Europe against a Warsaw Pact attack.

Mr. Carter told the Washington NATO summit that the coupling of U.S. strategic forces to Europe was critical. It meant an attack on Europe would have the same consequences as an attack on the U.S. itself.

In Prague, Mr. Brezhnev, the Soviet President, accused the West of "cynical interference" in Zaire and blamed NATO for lack of progress on disarmament. Back Page

Zaire, the former general in charge of government troops in ... was sentenced to death for cowardice in the face of the ... Page 4

Bottle thrown at Charles

A man was arrested after a bottle was thrown at a car in which Prince Charles was touring Newcastle upon Tyne. The window splintered, but Prince Charles was unhurt and made light of the incident when, at a ... centre in Sunderland, he ... to staff working behind a ... screen: "Is this to stop people throwing things at you?"

Royal wedding

The Queen, at a Privy Council meeting, gave her consent to the proposed marriage between Prince Michael of Kent and Baroness Marie-Christine von Reibnitz, a Roman Catholic divorcee. She was formerly married to Mr. Thomas Troubridge, a merchant banker.

Swindlers jailed

Jail sentences of up to 14 years were imposed on five members of the so-called Hungarian Circle at the Old Bailey. They were convicted of trying to swindle banks out of millions of dollars by using forged bank drafts. Page 6

Pay guard shot

A security guard was shot dead in a £200,000 payroll robbery at the Daily Mirror's London headquarters. A witness said one of four raiders asked the Security Express guard to hand over money. He refused and was shot.

Credit card sex

Two men who ran the Blue-belle "massage agency," where sex could be obtained by credit card, were jailed for 18 months and two years, respectively, at the Old Bailey.

Warm June

June will be dry and mainly warm according to the long-range forecast, but the latter part of the month may be less settled. Weather, Back Page

World Cup round-up

The 1978 World Cup opens in Buenos Aires today with a match between defending champions West Germany and Poland in front of 75,000 people in the River Plate stadium plus a worldwide television audience estimated at 1bn.

Strict security is being enforced with all roads around the stadium closed four hours before the kick-off.

The Primate of Argentina will bless the tournament at an opening ceremony which will include the release of pigeons and a gymnastic display.

The ... Ambassador in Buenos ... protested at the five-hour airport detention of philosopher Bernard Henri Levy, covering the tournament for several magazines.

Meanwhile, Scotland manager Ally MacLeod was fined £10—in his absence—by Ayr magistrates for speeding.

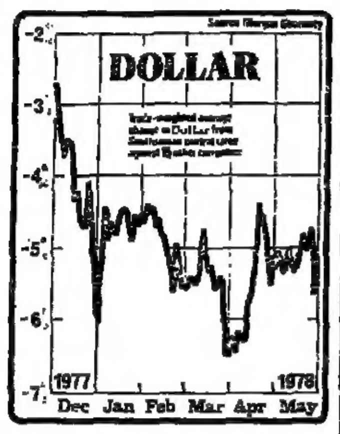
BUSINESS

Equities rise 6.3; dollar weaker

● LEADING EQUITIES took a turn for the better in response to modest buying interest. The FT 30-Share Index closed at the day's best of 478.8, up 6.3. Gold Mines made further headway.

● GILTS also progressed, the FT Government Securities Index rising 0.21 to 70.13.

● U.S. DOLLAR continued to lose ground on concern at inflation and trade trends. Its trade weighted depreciation



widened to 5.62 per cent from 5.11 per cent on Monday. Sterling gained 1.45 cents to $1.8330, although its trade-weighted index was unchanged at 61.4.

● GOLD rose $1.50 to $184.375. The New York Comex June settlement price was $184.30 ($183.90).

● WALL STREET was up 8.14 at 842.31 near the close.

● ITALY faces a re... sharp increase in inflation and new balance of payments difficulties, said Sig. Paolo Baffi, Governor of the Bank of Italy. Page 2

● FRENCH Cabinet has approved tax concessions to encourage investment in industry by small savers. Page 2

GKN abandons move on Sachs

● GKN has conceded defeat in its attempt to raise its holding in Sachs of West Germany from just under 25 per cent to 75 per cent. It has dropped a bid to reverse a German Supreme Court decision blocking the move. Back Page

● FORD is putting up car prices by an average of 3.8 per cent. Page 5. West German car output hit, Page 2

● PLANS to speed the development of the UK petrochemicals industry based on North Sea oil and gas appear to be foundering in joint Government-industry discussions. Back Page

● ROMANIA is again having talks with VFW-Fokker about possible production of the VFW 614 airliner. Page 4. Merger moves gaining ahead, Page 35

● GOVERNMENT has stepped in to help the financially troubled UK textile arm of Lonrho, which last week issued redundancy notices to 400 employees. It will extend the interest-free period on a loan to the company. Lonrho results, Page 30 and Lex

● CO-OPERATIVE society retail executives are concerned about the trading position of some co-ops because of the high street price war. Two of the biggest co-ops, the London and Royal Arsenal, have reported losses. Page 5

● DE BEERS Central Selling Organisation is cutting the surcharge on gemstones to 15 per cent. as speculative trading in diamond wanes. Page 6. Cartier jewellery operations are to be brought together and a stock exchange quote sought. Page 35

● MARLEY made pre-tax profit of £7.54m (£6.76m) in the six months to April 30. Page 30 and Lex

Institute predicts more jobless, higher inflation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The outlook for the UK economy next year is gloomy with rises likely in both unemployment and the rate of price inflation, according to the latest quarterly review from the National Institute of Economic and Social Research published this morning.

The institute, an independent economic research body, has been a long-standing advocate of expansionist policies.

But the latest review stresses the tight constraints on any further stimulus later this year, even if a co-ordinated programme is agreed at the mid-July economic summit in Bonn.

The pessimistic theme is that, in spite of North Sea oil, in the longer run "the policy problems remain those of pay inflation and renewed stagnation of output in face of a still precarious balance of payments improvement."

The institute suggests that a brief and mild recovery in economic activity this year will be led by private consumption and investment.

The pick-up is, however, expected to tail off by the beginning of next year as the rate of price inflation catches up with pay rises, ending the rapid growth in living standards.

Economic growth, as measured by real Gross Domestic Product, is forecast to slacken from a rise of 3.7 per cent this year to an increase of 0.8 per cent next year.

As a result, adult unemployment, expected to remain about its present level of 1.4m in Great Britain this year, is forecast to rise slowly to 1.5m by the end of next year.

The key difference with the Treasury view concerns inflation.

In contrast with official hopes,

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and forecasts, that the increase in average earnings will decline to about 7-8 per cent in the next pay round, the institute regards a rise of about 12 per cent as the most probable outcome.

It expects the rate of consumer price inflation to move up out of single figures later in 1978 to a rate of 10 per cent in the year to the fourth quarter and to about 11½ per cent over the following 12 months.

While the projections in inflation conflict with Government aspirations, they are broadly in line with those of most other non-Whitehall forecasters.

The institute says the slackening of demand foreseen in 79 would seem to call for a further stimulus later this year.

But any such stimulus would reverse the current account surplus with the risk of driving down the exchange rate further and exacerbating the rise in inflation.

A co-ordinated programme by all the major countries was needed. But even if concerted action was agreed, the "UK could not go much further than it has done already without a significant effective devaluation" or risking further deterioration in the trade balance.

On the basis of present policies, the current account surplus this year is expected to be about £300m with a steady improvement after the big first quarter deficit.

However, this compares with a surplus of £1.3bn projected by the institute in its last review in early March.

Britain and France face legal action over oil

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, May 31.

THE European Commission is believed to be nearing a decision on whether to open highly controversial legal proceedings against Britain's North Sea oil policy and France's system of managing its national oil market on the grounds that they violate the Rome Treaty.

Much will depend, however, on whether the Commission is successful in its attempt to get the French Government to make voluntary changes in the pre-war "delegated monopoly" under which the French state regulates the French oil industry.

Commission officials are aware that to act against the U.K. could invite a politically charged confrontation with Mr. Anthony Wedgwood Benn, the Energy Secretary, who has said that he considers North Sea policy to be exclusively a national responsibility.

They also think that if they were to act only against France, against which they believe they have a strong case, the French Government would apply heavy pressure to have parallel proceedings instituted against the U.K.

In Britain's case, the Commission has been examining particularly closely the legality of the requirement that all North Sea oil must be landed on U.K. territory unless a special waiver is given by the Energy Secretary, and of the interest relief grants offered by the British authorities to suppliers of offshore equipment.

The investigation into the French market is focused on the policy of allocating quotas for the importation and refining of oil. This system has been in effect for about 50 years and Brussels competition experts believe that it may constitute an abuse of state monopoly powers under Article 37 of the Rome Treaty.

There is still some hope in Brussels that efforts to persuade the French Government to adapt its rules voluntarily will succeed.

M. Raymond Vouel, the Commissioner for Competition Policy, is to discuss the matter on June 26 with M. André Giraud, the newly-appointed French Energy Minister, who has also been approached recently by Dr. Guido Brunner, the Energy Commissioner.

If the French Government refuses to shift its ground, however, the Commission will probably be unable to delay opening formal proceedings by dispatching a "reasoned opinion" much beyond the autumn.

There is concern in Brussels that if a decision were deferred for much longer, the Commission itself might be brought to court by critics of the French system on charges of failing to enforce the treaties.

France has already been pressing the Commission to intensify its study of the British landing requirement. This was initiated about 18 months ago on the basis of a complaint by an unnamed oil company.

It alleged that the requirement conflicted with Articles 30 and 34 of the EEC which prohibit quantitative restrictions and other impediments to imports and exports in the EEC.

Critics of the policy claim that oil companies from other parts of the EEC are forced to pay higher transport costs than if they were permitted to carry the oil to destinations of their choice.

The investigation into the interest relief grants, against which two complaints have been made, centres on allegations that it distorts competition because it is offered only to British suppliers.

Reed's after-tax loss £16.8m

BY NICHOLAS COLCHESTER

REED INTERNATIONAL, the paper, packaging and publishing group, said yesterday that write-offs of £41.5m in the year to March 31 led to an after-tax loss of £16.8m.

In addition to this loss, the result of Reed's retrenchment, the group incurred an exchange rate deficit of £30m more.

The Reed share price, down earlier this year to its par value of 100p, rose 6p on the announcement to close at 128p. News of the company's losses were offset by a 30 per cent increase in trading profit in the UK and by news that two of Reed's problem areas, its Canadian operation and a paper mill in South Africa, were making steady progress back toward break-even.

The dividend, about which there has been much speculation, was set at 8p, down from 13p in the previous year, and the Board said that it expected to maintain this rate of payment for the current year.

The management said that the dividend level was chosen to be sustainable in the future and to enable Reed to reduce its financial gearing.

The chief source of loss for the year was Reed's programme to get to grips with losing operations in Canada.

The extraordinary items taken on disposals and closures there totalled £23m. Mr. Jarratt, the Reed chairman, disclosed that partly as a result of cost control measures the Canadian operation was already running at an operating profit and would probably return to profit after financing costs by the end of this year.

Figures, Page 1...

Petrol prices likely to rise shortly

By Ray Dafter, Energy Correspondent

OIL COMPANIES are to raise the price of petrol at many of their stations by between 1p and 2p a gallon over the next few weeks.

In a fresh attempt to end the forecourt price-cutting war, major oil suppliers are expected to withdraw a large part of their dealer support aid which has helped retailers to cut several pence off the schedule price of each gallon.

The new move has been led by Esso Petroleum, one of the market leaders, which has written to many of its dealers informing them of the new policy.

Other big companies—among them British Petroleum and Shell—are almost certain to follow suit.

There is now speculation within the industry that before the end of the year companies might approach the Prime Commission for authority to raise the base price of petrol, presently an average of about 74p a gallon on four-star grades sold in urban areas.

Sterling

Companies are revising their dealer support system mainly because of their concern about the falling value of the pound against the dollar.

Since the beginning of the ... value of sterling has dropped by about 7 per cent.

As crude oil is traded in dollars it is estimated in the oil industry that a 2 cents drop in the value of the pound reduces the annual profit on petrol sold in the UK by about £6.5m.

A further drop in the value of sterling could prompt a Price Commission application for a base price increase.

BP Oil, one of the top three petrol sellers in Britain, said yesterday that it was watching the marketing position closely.

"The return oil companies are getting from the marketplace is minimal. Petrol is a bargain; it is being sold at an artificially low price.

"In view of the need for an adequate return to meet investment objectives, the price of petrol has to go up."

Shell, which has about 20 per cent of the petrol market said that over the last few weeks it had reduced its dealer support at some 300 to 400 outlets.

It is estimated that about 1,300 of Shell's 6,500 sites have

Continued on Back Page

Ford prices up, Page 5

U.S. jolted by 0.9% price rise

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, May 31.

THE U.S. received a sizeable, but not unexpected, jolt today with the announcement that consumer prices rose by 0.9 per cent last month.

This is the steepest increase since February last year and means that for the three months up to the end of April, the retail cost of living has gone up at an annual rate of 10 per cent.

The Carter Administration is painfully aware of the implications of a return to double-figure inflation.

In the last few days, Mr. Robert Strauss, the President's inflation (Czar), and Mr. Barry Bosworth, head of the Council of Wage and Price Stability, have stressed that things were likely to get worse before getting better. Both said that the April and May figures would be particularly bad.

This is largely because of the soaring food costs.

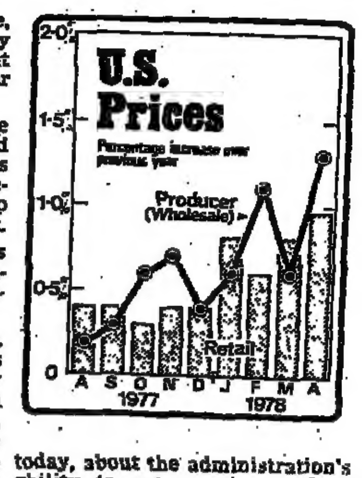
In April, the food index rose by 1.8 per cent, compared with March. Grocery store prices went up by 2.4 per cent, beef prices by 6.6 per cent and fresh vegetables by 9.7 per cent.

In the three months ending in April, the food index has risen at an annual rate of over 18 per cent. This pace of increase is not expected to continue, but there is now much more pessimism on the food price front than existed a couple of months ago.

The Agricultural Department has revised upwards its projection of the increase in consumer food prices this year.

It now foresees an 8-10 per cent annual rise. Two months ago it was forecasting a 6-8 per cent advance, while at the end of last year it anticipated a mere 4-6 per cent.

Mr. Strauss was far from confident, in a newspaper interview



today, about the administration's ability to get a grip on food prices.

Easing restriction on imported beef would be "the most positive thing I can think of," he said. This could harm the domestic beef industry and would therefore be politically difficult to accomplish.

So far, the Administration has received some useful but still mainly symbolic commitments from some major companies to hold the line on executive pay and prices.

But last month's consumer price figures show that inflationary pressures in the economy are not confined to the food front and will therefore require wide ranging acts of persuasion if the voluntary programme is to work.

Housing costs, for example, rose by 0.9 per cent, with the financial cost to homeowners, boosted by the recent rise in interest rates, going up by almost twice as much.

The housing index has gone up so far this year at a 10 per cent plus annual rate.

Dollar crisis threat

BY MICHAEL BLANDEN

MR. HENRY KAUFMAN, a senior U.S. economist, said yesterday that the U.S. could face its worst dollar crisis since the second world war next year, or even sooner.

Speaking in Geneva as the dollar came under renewed pressure in the foreign exchange markets, Mr. Kaufman, senior partner in Salomon Brothers, said that reducing the rate of inflation was the key to arresting the decline of the dollar. But the chances of doing so were not very great.

He told a Conference Board meeting that the U.S. might have to introduce controls over the international flow of dollars.

In spite of the recent rally in exchange markets, the fundamentals surrounding its weakness had not changed.

The dollar fell sharply in European exchange markets after an earlier decline in Tokyo on renewed concern over the outlook for the U.S. economy.

It ended in London at Y221.40 against the Japanese currency, compared with Y222.95 on the previous day, and fell against the Swiss franc from Sw.Frs. 1.9240 to Sw.Frs.1.8930.

The pound rose by 1.45 cents to $1.8330 and was showing further gains in later New York dealings.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...cham	662	+ 7
...ots	193	+ 5
...ent Chemicals	186	+ 5
...own (J.)	376	+ 6
...r's Milling	47	+ 4
...stings	40	+ 4
...ison	32	+ 4
...idrive	74	+ 19
...seco Minsep	162	+ 6
...C	264	+ 8
...ath (C. E.)	273	+ 10
...ywood Williams	110	+ 6
...me Charm	172	+ 6
...wden (A.) "New"	14pm	+ 5
B. Holdings	72	+ 3½
Shoes	72	+ 5
...yland Paint	71	+ 5
...yds Bank	282	+ 6
& G. Group	125	+ 7
NatWest	275	+ 7
Nova (Jersey)	45	+ 6
Ocean Wilsons	100	+ 6
Property Partnerships	110	+ 5
Reed Intl.	128	+ 6
Sedgwick Forbes	396	+ 12
Sharna Ware	116	+ 6
Spirax-Sarco	150	+ 11
Tube Invs.	382	+ 8
Guthrie	322	+ 7
Anglo Utd. Dev.	172	+ 14
East Drie.	768	+ 44
Gold Fields of S.Africa	£13	+ ¼
Mount Lyell	36	+ 4
Paringa	38	+ 8½
Rustenburg Plat.	84	+ 4
Tara Exploration	£11⅞	+ ¼

FALLS

Perry (H.)	204	− 8
Siebens (UK)	404	− 20
M.I.M. Hldgs.	207	− 7
Utah Mining Aust.	370	− 40

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FEATURES

For latest Share Index 'phone 01-246 8026

Bank of Italy head fears sharp increase in inflation

BY PAUL BETTS

ROME, May 31.

SIG. PAOLO BAFFI, Governor of the Bank of Italy, said today *that there was a danger of a* sharp increase in inflation, and of new balance of payments difficulties in Italy.

Addressing the annual meeting of the central bank, he indicated that there could be no loosening *of tight credit controls as long* as the fundamental structural weaknesses of the Italian economy were not adequately *tackled.*

Sig. Baffi implied that there had to be concrete indications of the country's readiness to take firm action to reduce public expenditure and to contain the continuing increase in labour costs before the door could be *opened to greater credit.*

While there were signs of a recovery in industrial production, and recent measures approved by the Government were expected to go some way to curb the State sector deficit, the key problems of the economy still had to be resolved. Sig. Baffi recalled earlier warnings that a growth rate of more than 3 per *cent on average over the next* few years was hardly possible without endangering the payments position.

The Government's current target is for an annual growth rate of about 4.5 per cent by the last quarter of this year, with inflation not exceeding 14 per cent. Economic Ministers are examing a number of measures to contain the enlarged public *sector deficit to L24,000bn* this year to ensure what they call growth without inflation.

Sig. Filippo Pandolfi, the Treasury Minister, confirmed that Italy is seeking to negotiate new loans with the International Monetary Fund (IMF) and the European Economic Community next month in view of the Government's recovery programme *and its possible inflationary repercussions.*

He said there appeared to be a cautious willingness on the part of the international markets to extend new credit to Italy, but this was conditional *on the atitude of international* agencies like the IMF and the EEC.

Italy is in no immediate need of international support with foreign exchange reserves standing at $7.4bn and with the continuing stability of the Italian currency.

The Treasury Minister confirmed that the Government *would introduce new measures* to cut the enlarged public sector deficit early next month before the arrival in Rome of an IMF review team. Further measures are expected to be taken next yea in what the Minister de*scribed as a general overhaul of* the economy.

Sig. Baffi, in his report, dwelt at some length on the insidious distortions created by the automatic wage indexation system and other automatic inflationary processes. He urged the adoption of more elastic labour policies and referred to the concept of a social pact and the *principle of labour mobility.*

Sig. Luciano Lama, leader of CGIL, the Communist-dominated and largest Italian trade union confederation, has called for moderation in negotiations for the renewal of a number of *major national labour contracts.* But Sig. Giovanni Agnelli, chairman of FIAT, Italy's largest private enterprise, said today that there were no substantial indications so far that moderate policies were acceptable *to the* union rank and file.

Labour costs in Italy, Sig. Baffi said, were on average about three times higher than in other *industrialised countries.* While the increase in the gross output per individual worker increased by only 1.3 per cent last year, gross wages rose by 25 per cent, or 6 per cent in real terms.

Sig. Baffi said Italy now faced *a major challenge in unemploy*ment. According to official statistics, there are 1.5m unemployed in Italy.

EEC and Comecon agree to exchange information

BY DAVID BUCHAN

BRUSSELS, May 31.

THE EEC has embarked on an irreversible development of its relations with Comecon, Herr Wilhelm Haferkamp, the Community's Commissioner for *External Affairs said today, after* two days of talks in Moscow with Mr. N. Fadeev Comecon's secretary, and other officials of the Eastern bloc organisation.

The talks produced almost no concrete results and Herr Haferkamp would give no estimate for the signing of an eventual co-operation agreement. He said the two bodies had agreed to *hold two further rounds of talks* in Brussels, at technical level in July and political discussions in October.

Herr Haferkamp placed some hope in the possibility that the Soviet Union might want to see an agreement reached with Brussels during its presidency of Comecon, which starts this July for one year. It was possible *that it might use its predominant* position within Comecon to make concessions.

Both sides have agreed that the first step should be exchanges of economic information such as planning targets, *statistics, and environmental* policies. The July and October talks will concentrate on achieving this. Herr Haferkamp stressed that the EEC also wanted to speed up and deepen its ties with individual Comecon States.

This is the crux of the drawn-out diplomatic two-step between the two organisations. The EEC *only wants a formal agreement* with Comecon that does not touch in any way on trade as the necessary first step towards negotiating all the practical commercial issues one-by-one with Eastern bloc countries.

Comecon officials this week repeated' their demand for *a* broad trade accord with Brussels, but Herr Haferkamp said today it was important that both sides *had agreed to respect each* other's practices, structure and policies. The Commission takes this as tacit Comecon acceptance *of the EEC argument that the* Eastern bloc is not equipped to talk about trade, having no common policy on customs, quotas or free movement of goods.

Herr Haferkamp said various East European countries were known to be interested in taking up the Community's offer, dating from 1974, to all State-trading *countries for a framework trade* agreement. So far only China has taken up this offer, having signed an agreement with Brussels this spring. But the Commissioner said recent sector agreements on steel and textiles with some East European countries had shown a desire to come to terms with Brussels.

"A permanent broadening of contacts is beginning to emerge" between the EEC and Comecon, Herr Haferkamp said. Asked whether issues of human rights could reverse this, Herr Haferkamp would only say that the Commission had publicly insisted on the full implementation of the Helsinki Agreement. EEC officials privately say that the *climate for negotiations, if and* when they begin in earnest, will inevitably be affected by political considerations of this kind.

Dutch chemicals outlook 'gloomy'

BY CHARLES BATCHELOR

AMSTERDAM, May 31.

PROSPECTS are gloomy for the Dutch chemicals industry over the next few years, according to Mr. Epple ter Horst, chairman of the Dutch Chemical Industry Association (VNCI).

In his annual report Mr. ter Horst describes 1977 as the worst year since the Second World War, with the industry growing worldwide at only 3.5 per cent a year, compared with more than 10 per cent in the recent past, *and says that excess capacity* will be taken up only slowly.

The main problems are the high level of wage and energy costs in Holland, the high demands made on the industry to protect the environment and the *volume of low-priced imports* from East European countries.

Mr. ter Horst called for a more balanced approach to environmental protection in Holland, saying that the considerable progress made in the field in recent years means that the tempo could now be slowed.

The cost of environmental measures has risen so rapidly that they now form a substantial part of production costs, he said, *and the reduced level of profits* makes it difficult to keep up the pace of recent improvements.

The disparity between energy prices in neighbouring countries and prices in Holland, where the price of gas is related to the *price of imported oil, also puts* the Dutch chemical industry at a competitive disadvantage.

Mr. ter Horst regards the long-term prospects for the industry as favourable, however, thanks to the increase in the world *population, coupled with a rise* in living standards in developing countries and the continued striving for improved comfort and health in the industrialised West. The scarcity of many natural products means that it will always be necessary to produce synthetic materials.

Dutch chemical producers were able to maintain turnover at Fl20.7bn ($9.1bn) with great difficulty in 1977. Chemicals is nevertheless the second largest industrial sector in Holland after the foodstuffs and tobacco pro*cessing industry.*

Exports fell slightly to Fl17.88bn from Fl17.96bn due to the greater *rise in costs* compared with *foreign competitors.* Exports nevertheless accounted for 86 per cent of turnover and represented one-sixth of total Dutch exports.

A number of companies made *losses in 1977, the first time this* has happened in the post-War period. Investments rose to Fl2.3bn ($1bn) in 1976, although this increase was the result of decisions taken in earlier years, the Association pointed out.

Bonn talks crucial for payments problems

By Robert Mauthner

PARIS, May 31.

PROSPECTS for an adjustment of the payments balances of the major Western industrial countries are almost entirely dependent on the adoption of a concerted growth strategy at the Western economic summit to be held in Bonn in mid-July.

This was one of the main conclusions of the high-level OECD group on balance of payments problems, which met here to-day. Member countries failed to agree yesterday on a blueprint for joint action which would set the industrialised world on a 4.5 per cent growth path by the middle *of next year.*

Though a substantial number of the member States rejected the OECD Secretariat's model, which quantified the stimulus that should be given to the domestic demand of each of six *leading economies, there is* still wide agreement that some kind of concerted growth policies are required.

U.S. sources said today that the chances of the Bonn summit coming up with a more meaningful agreement on a co-ordination of economic policies than the one reached at the last summit meeting in London were "fair to *favourable.*" *The* general view of delegates was that countries like West Germany and Japan, which will be required to provide the biggest stimulus, will wait until the summit meeting takes place before giving anything away.

Meanwhile the balance of payments picture for 1978 is as bleak as that for growth though several of the leading member countries, such as the U.S., feel that the OECD Secretariat is unduly pessimistic in its predictions.

The Secretariat is forecasting a current account deficit for the U.S. of $24bn, some $3bn more than in 1977, while U.S. officials thought it was more likely to be in the region of $18bn, roughly the same as last year. The effects of the recent depreciation of the dollar, negative during an initial period, would begin to exert a beneficial influence on the balance of payments in the second half of this year.

The Secretariat was also extremely gloomy about the balance of payments prospects for the two biggest surplus countries, Japan and West Germany. The 1978 Japanese current account surplus is expected to rise to at least $15bn from $11bn last year and West Germany's surplus to $5bn from $3.5bn in 1977. Switzerland's *surplus* this year would probably be in the region of $4.5bn, and that of the UK $1.5bn, according to the Secretariat. In the case of the UK the Secretariat seems to be adopting a more optimistic view than given by the latest *private forecasts of Treasury* officials.

On other aspects of the U.S. economy American sources said that because of the recent sharp rise in employment and high inflation rates, the U.S. Administration had revised downwards its target for the "desirable" rate of growth in 1978 and 1979. Thus the U.S. was now aiming for a GNP increase of 4-4.5 per cent, instead of 4.5-5 per cent as initially projected.

Though the rise in the April and May consumer price index in the U.S. was particularly high due in particular to the jump in *food prices, the rate of inflation* was expected to taper off substantially in subsequent months and, for the year as a whole, would probably be around 7 per cent.

FRENCH MOVE TO ENCOURAGE SMALL SAVERS

Tax incentive should benefit industry

BY DAVID CURRY

PARIS, May 31.

A PROGRAMME of substantial tax concessions to encourage investment by small savers in industry has been approved by the French Cabinet. Parliament is expected to vote the proposals into law by the end of June and they will be applied immediately.

The centrepiece of the programme is to allow households to deduct FFr 5,000 (£650) a year from their taxable revenues for investment in shares. *In addition they will be able to* increase the investment by FFr 500 a year for each of the first two children and FFr1,000 a year for subsequent children.

The investment can be made in quoted or unquoted companies, but in the latter case the shares must be bought as part of a capital increase by the company.

The concessions will last until the end of 1981. M. Rene Monory, the *Economics Minis*ter, said today that the next four years covered the period when France would have to give priority to the financial health and competitiveness of its industry. A later Government might identify different priorities in the light of changing world circumstances.

However, the concession will *last for 15 years* for people now aged 50 so that they can build up a portfolio of shares in preparation for retirement.

At the *moment tax law in* France permits investors to deduct from their taxable income the first FFr 3,000 a year they receive from shares or bonds in dividends. From now on investors will have to choose between benefiting from the share purchase concession being introduced or the existing treatment of share income.

The proposals also include chapters to aid company fund-raising directly. Foremost is the creation of preference shares which will rank as priority for dividend but will *not carry voting rights. This is* to encourage smaller concerns to seek funds from the market without risking the loss of management control.

To encourage companies to raise new capital, dividends relating to newly-created shares can be deducted from the company's tax liability for seven years instead of the present five years. *For preference shares* the exoneration is raised to 10 years.

The Government is also making it possible for certain official loans to companies to be assimilated to the capital by subordinating them for all dividend purposes.

In one respect taxation is increased. Up to now holders of substantial portfolios of fixed interest investments have been able to pay a straight 33⅓ per cent of tax on this income rather than having it added to their global revenues and subject to income-tax. For all fixed interest holdings except bonds issued by certain semi-state institutions this rate is now raised to 40 per cent.

The net cost of the operation is Fr 1.1bn to Fr 1.2bn and it is hoped that up to Fr 5bn a year of new money will be invested in industry. M. Monory said the object was to reach new categories of investors and "reconcile the French to their industry." The general policy of encouraging industrial invest*ment was part of the overall* strategy of bolstering the financial strength and respectability of industry—a strategy which included the ending of controls on industrial prices promised before the middle of October.

Saudis will back African move to counter Communist influence

BY DAVID WHITE

PARIS, May 31.

SAUDI ARABIA has expressed support for joint African initiatives to offset Soviet and Cuban intervention in the continent.

Prince Saud, the Saudi Foreign Minister, said here at the end of a two-day official visit by King Khaled that Saudi Arabia shared the anxiety of non-Communist African countries and was prepared to co-operate with them.

His Government, however, had not discussed possible Saudi financial backing for an African mutual defence force. The initiative would have to come from African countries themselves, the Minister said, warning that outside intervention risked extending the scope of local conflicts and introducing new elements into them.

Moves in this direction by African countries, he said, "would find responsive chords in the Arab world."

The "wide-ranging discussions" held during the visit also covered the Middle East situation, on which the Minister said their points of view were "very similar."

"Any initiative that Europe can take," he said, "will be a welcome thing in the Arab world and especially in Saudi Arabia."

On oil pricing arrangements, the Minister reaffirmed Saudi Arabia's *position that it did not* consider a price rise justified in the present market circumstances. A new oil agreement with France, following a pact last year under which France buys 12m tonnes a year direct *from the Saudi Arabian Govern*ment, did not come up for discussion.

Under their existing economic and technical agreement France and Saudi Arabia were carrying out joint research into alternative energy sources and discussions on co-operation on peaceful *uses of nuclear technology were* "reaching a stage of conclusion," the Minister said.

No firm deals were included during the talks, but the Minister said there was room to increase both the volume and extent of *Franco-Saudi economic* relations.

Shattering some lingering French hopes, he added that Saudi Arabia had not discussed France's planned new *Mirage* 4000 fighter venture and was satisfied with the F15s that the U.S. had agreed to supply.

Schmidt hopeful on uranium deliveries

BY JONATHAN CARR

BONN, May 31.

CHANCELLOR Helmut Schmidt *has reported making progress* in talks with President Carter on the problem of U.S. deliveries of enriched uranium to the European Community.

Herr Schmidt told a West German newspaper interviewer in Washington that during his hour-long discussion yesterday with the President very clear signs had emerged that accord could be reached on the nuclear issue.

He gave no details. But before Herr Schmidt left for the U.S., Government officials here had stressed that the nuclear supply question would figure high on the agenda of his Washington talks.

According to the officials, Herr Schmidt planned to make clear that the EEC was ready to talk over with Washington the problems of uranium delivery arising from passage earlier this year of the *U.S. Nuclear Non-proliferation Act.*

But the Chancellor would also recall the U.S. promise last year that it would not change its nuclear supply policies while international fuel cycle evaluation talks were in progress. *These are expected* to last more than another year.

Asked if West German-U.S. differences on economic policy had been ironed out, Herr Schmidt said the positions of both sides had become much *closer.* He *forecast a success* for the world economic summit conference in Bonn in July.

Strikes hit W. German vehicle production

By Guy Hawtin

FRANKFURT, May 31.

THE WIDESPREAD metal-workers' strikes in West Germany hit the first four months' produc*tion figures of the country's* motor industry. As a result of the stoppages, in support of a pay claim, car and estate vehicle output was only slightly higher than last year's performance, while commercial vehicle produc*tion was rather lower than the* actual decline in demand.

According to the Verband Der Automobilindustrie (VDA), the industry's trade association, car and estate vehicle production during the first four months of the year totalled 1,363,300 units, after 1,356,406 units during the comparable period of 1977. Strikes, said VDA, cost the industry some 56,300 units.

At the same time the commercial vehicle sector, which has been suffering from a substantial drop in demand, saw the first four months' output drop by 16 per cent from 1977's 112,868 units, to 95,000 units. The metal-workers' strikes lost the sector production of 13,000 vehicles.

The strikes, which took place during March and April this year, cost the industry itself some DM 1.7bn ($800m) in lost sales. When the effects of the stoppages on associated industry and the retail trade is taken into account the total sales loss amounted to DM 4.7bn ($2.23bn).

Exports suffered particularly in April, when shipments abroad fell heavily in both the *car and commercial vehicle* sectors. Car and estate vehicle exports totalled 148,200 units compared with 149,407 in the same month of 1977, while exports of commercial vehicles dropped from 15,177 to 8,900 units.

Car exports during the first four months of 1978 increased by 2 per cent to 654,100, against the 640,419 units shipped during the comparable period of last year. Commercial vehicle ex*ports during the same period* dropped by 23 per cent from 65,826 units to 50,900 units.

On the bright side, in spite of the fact that the industry believes that its boom peaked last autumn, domestic demand remains lively, the *VDA reports.* Car and estate vehicle orders during the first four months were still running slightly above the level for the comparable period of 1977. At the same time home demand for *commercial vehicles is, to a* degree, offsetting the decline in overseas interest.

Malta plan targets 'achieved'

By Godfrey Grima

MALTA, May 31.

ALL ECONOMIC targets laid down by Malta's seven year development plan, which expires next March with the complete closure of British bases here, have been achieved.

This was claimed in Parliament by the island's Development Minister, *Mr. Wistin Abela,* while putting forward a Bill providing for a review of a number of basic targets set out in the original plan.

Mr. Abela told the House of Representatives that this supplement to the plan was made necessary by the worldwide economic upheavals of recent years. But it did not mean that the original objectives had not been met.

Krupp Gulf office

Krupp has opened a Gulf head *office in Dubai and expects to* open other offices throughout the region in the next two years Celia May reports from Dubai. The office will supply industrial equipment and seek turnkey projects.

Gunman shoots W. German defence lawyer

WEST BERLIN, May 31.

A GUNMAN today shot and wounded one of the defence lawyers taking part in a major urban guerrilla trial here, police said. The counsel, Dietmar Hohla, was hit in the legs as he was about to get into his car in the West Berlin district of Wilmersdorf.

Mr. Hohla is the court-appointed lawyer of Ronald Fritzsch, one of six suspected guerrillas accused of the murder of West Berlin's chief judge, Guenther von Drenkmann, in 1974, and the kidnapping of the city's conservative party leader, Peter Lorenz, in 1975.

Mr. Hohla was taken to hospital but released after treatment. The gunman escaped in a yellow saloon car without registration plates which was found soon afterwards, Reuter

New meeting on Aegean dispute

By Our Foreign Staff

THE SECRETARIES GENERAL of the Greek and Turkish Foreign Ministries, Mr. Byron Theodoropoulos and Mr. Sukru Elekdag, are to meet in Ankara on July 4 and 5 in an attempt to make progress towards resolving *problems over the Aegean.*

This was announced in a brief communique issued after the meeting on Monday night between the Greek and Turkish Prime Ministers, Mr. Constantine Karamanlis and Mr. Bulent Ecevit. The two met in Montreux in March but the follow-up meeting agreed between the Secretaries General was postponed in April at Greece's request. Public opinion in Greece was incensed by President Jimmy Carter's request to Congress that it lift the arms embargo on Turkey.

Charles Batchelor pays a visit to Holland's "country within a country"

Feelings of independence still run strong in Friesland

WHILE THE Dutch province of Friesland has become increasingly integrated into the economy and structure of Holland as a whole in recent *years, it still remains in some* respects a country within a country. Its independence, separate language—Frisian—and separate character are a source of pride to its 560,000 inhabitants. But for a long time they were also a major reason for its backwardness.

It is now only little more than an hour's drive from Amsterdam across the dyke enclosing the former Zuyder Zee or across the new Polders. But Friesland and its two adjoining north-eastern provinces of Groningen and Drenthe are still far enough away from the crowded "Ranstad" cities of Amsterdam, Rotterdam and The Hague to be considered distant destinations by many Dutchmen.

Post Office employees in the Hague are putting up a strong fight against Government plans to remove their headquarters to the *north-east. And for many a* Frisian "The West" is an over-crowded conurbation of high-rise flats and motorway cloverleafs.

Friesland, with just over 400 people per square mile, has only one-fifth of the population density of the Randstad. Its extensive lakeland is a major recreation area in Holland. The main economic activity—dairy farming and related industries—conforms more to the traditional picture of the Dutch

The province's rich pastures *represent nearly 20 per cent. of* the permanent grassland of the Netherlands and Friesland accounts for a similar share of the country's milk production. Almost 40 largely co-operatively-owned daries convert the milk of the *familiar black and white* Frisian cattle into a wide variety of dairy products, including the Frisian clove cheese which is widely sold throughout Holland.

Farming and related industries are the largest employers in the region, although mechanisation has cut the number of jobs to 22,000 from 60,000 at the end of the last war. The production of nearly 2bn litres *of milk* a year has been achieved by a programme of redistributing land to make more efficient farms and extensive use of covered cattle-sheds coupled with increased quantities of cattle feed.

The coastal strip provides excellent conditions for the cultivation of seed potatoes. The shortage of land for potato growing has thrown up a plan to reclaim 3,000 hectares of the Waddenzee, a narrow strip of water enclosed by the offshore Frisian islands and the mainland which continues to Denmark in the east.

The floods of 1953 stimulated plans to reclaim the whole area and shorten Holland's coastline. But the shallow sea, much of which is turned into mudflats at *low tide, is now recognised as a* unique area of natural beauty, the home of large colonies of seals and the breeding ground for many sea birds. The Friesian potato growers' plans would not take much of a bite out of the sea, but with the *area already* endangered by tourism, industrial effluent and oil and gas exploration any further threat is strongly opposed by environmental groups.

Tourism is a mixed blessing for Friesland. The flotillas of summer motor cruisers and sailing boats bring economic activity to the area, but the jobs created are not *of very high quality* and the ever-growing throngs of visitors put increasing pressure on the delicate balance of natural *forces.*

In the 15 years to 1965 government incentives and the province's native attractions succeeded in stimulating industrial investment. Since then Friesland has suffered a period of economic stagnation. But while unemployment has been higher in absolute terms in the past two years than at any time since the War, the picture is not unrelievedly black. The province was losing an average of 5,000 inhabitants a year in the 1950s as job seekers moved to the more prosperous west, but the population is now increasing.

All the same the economic *situation is expected to get worse* before it gets better. Agriculture continues to shed jobs while increased automation means the industrial sector is also offering less employment. The local authorities see the province's *greatest hope in the attraction of* civil service departments and higher education and research facilities from the rest of the country.

This posed no problems in boom years but local authorities elsewhere *are now fighting for* every job they can hold. The province's low level of industrialisation has spared it the spectacular company *failures* which have lengthened the dole queues in other areas. Apart from the agricultural industries Friesland employs 14,000 in the metals sector—engineering and shipbuilding.

Two *important* individual employers in Friesland are the electrical concern, Philips, and Douwe Egberts. Philips employs nearly 2,000 people making shavers and other household products at Drachten in the east of the province, and 650 in *the Frision capital, Leeuwarden,* in telecommunications. Douwe Egberts has a workforce of 1,600 in Joure blending and packaging tea and producing tobacco and instant coffee.

The industrial expansion that has been achieved has been partly due to Government assistance in improving communications, education facilities and housing. Friesland, like other development areas in the northern, eastern and southern fringes of the country, has benefited from 25 per cent premiums on new investment. The precise impact of a new system of investment incentives, which assesses aid according to factors such as the number of jobs *provided, environmental impact* and energy saving, is not yet clear.

In spite of the bilingual road signs which welcome the traveller to Ljouwert as well as to Leeuwarden, Friesland does not *intend to follow the Belgian path* to bi-lingualism. Policy is aimed at increasing the opportunities for using Frisian in everyday life and *strengthening* its position in the education system. A recent survey showe dthat 97 per cent of Frisians understand the language, 83 per cent can speak it, an dmore than 70 per cent use it regularly at home.

Asked what would happen if the province were to carry out correspondance with ministries in The Hague in Frisian, local *officials say the number of* expatriates working there would ensure that the letter received a reply. Certainly the latest *plans to split Holland's 11 exist*ing provinces into 17 more manageable units leaves Friesland intact. The Frisians see *this as only natural respect for* the country which, when the Dutch branch of the Royal Nassau Line died out, maintained the succession *in the form* of the Frisian prince of Nassau, Willem IV Karel Hendrik Frisco. Whatever may be decided in The Hague the locals are determined to remain Frisian and free, *or* as they prefer it, "Frysk en frij."

Barcelona metal strike averted by pay deal

By David Gardner

BARCELONA, May 31.

A 48-HOUR strike due to have started tomorrow in Barcelona's metal industry has been called off after acceptance of a management offer by the two principal unions involved, the Socialist General Workers' Union and the Communist-*dominated Workers' Commis*sions.

The sting has thus been drawn from the most important series of labour disputes in Spain since the elections a year ago. At one point more than *750,000 strikers were involved* in Barcelona province.

The agreement comes after a warning from the Ministry of Labour that continuing deadlock would lead to obligatory judicial arbitration, a survival from labour legislation which the unions have attacked as an infringement of free collective bargaining. Minimum wages in the industry will be raised to Pta 29,000 a month with a further Pta 800 a month from October. The unions had demanded Pta 33,000.

The recent strikes, centring on the textile, construction and metal industries has divided em*ployers. The employers' federa*tion in the key Baix Llobregat area, had threatened a 24-hour lockout for each day lost through strikes, but the move wa strongly criticised by Catalonia's leading employers organisation.

Portuguese coup leader held by military police

BY JIMMY BURNS

LISBON, May 31.

AIR FORCE Major Jose Ignacio da Costa Martines, one of the main leaders of an attempted *left-wing coup here on Novem*ber 25, 1975, was arrested on arrival at Lisbon airport this morning and taken by military police to the top security prison of Caxias. He had fled the country after the coup attempt and lived in Luanda until his recent expulsion from Angola.

Major Costa Martines' arrest represents the latest in a series of steps taken by Portugal's high command to "depoliticise" the Portuguese armed forces.

The gradual separation of the military from politics (no easy task given the fact that the Portuguese armed forces have been involved *in attempted* coups and counter-coups for more than two centuries) has involved a gradual purging during the *past two and a half* years of many of the young officers belonging to the Armed Forces Movement which, backed by civilian forces, succeeded *in* overthrowing nearly half a century of dictatorship.

Significantly the military high command is working on a Law of National Defence with which to substitute today's constitutional definition of the Portuguese armed forces as the guarantors of the country's "transition towards Socialism."

Critics on the Left here regard the "depoliticisation" of the armed forces as firmly weighted in favour of the Right. They point as a further example to this to the dismissal last month of Major Vasco Lourenco from his post *as Governor of the* Lisbon Military Region.

Perhaps a more balanced view on the current changes within the military is that the modernisation of the armed forces, outside a political context, *is necessary if Portugal* is to become both a capable and trusted member of NATO.

This view was reflected in a speech on Tuesday by General Ramalho Eanes, the President of Portugal and chief of the armed forces, at the NATO spring summit in Washington. "Portugal must be considered a strategic area that is essential for NATO defence, given its potential control of the Atlantic routes and the entry into the Mediterranean," he said.

Also reflected in his speech was the feeling held by the Portuguese high command that support from NATO is not as forthcoming as it might be. Keeping politics out of the armed forces, Sr. Eanes feels, has been a tough business until now. It is up to NATO now to provide the kind of up-to-date equipment and money which can keep restless officers such as Major Costa Martines responsibly occupied for a long time to come.

AMERICAN NEWS

Chase admits asking Peru to protect copper mine earnings

BY DAVID LASCELLES NEW YORK, May 31.

CHASE MANHATTAN BANK confirmed here today that it sent a telex message to Peru earlier this month requesting a government decree to guarantee that earnings from the privately owned Cuajone copper mine would continue to be paid to the creditors and shareholders of the Southern Peru Copper Corporation, which operates the mine, not diverted to pay the country's debts.

But is described the message as part of a negotiating stance on talks about a further $53.4m loan for Cuajone, and stressed that there was no link between this loan and finance which the Peruvian Government is seeking to ease its balance of payments problems.

A delegation headed by the Peruvian Central Bank President, Sr. Manuel Moreyra, arrived in New York last week to seek debt rescheduling from its U.S. and other creditors.

Chase also said it had sent the message as agent for the group of 28 banks in the Cuajone loan consortium, but added that this did not mean it was speaking on the consortium's behalf.

Cuajone, which lies some 500 miles south-east of Lima, is wholly owned by a group of U.S. companies headed by Asarco, and is largely financed by U.S. commercial banks and the Eximbank.

The project has already absorbed $726m in finance, and requires the extra $53.4m to complete the mining complex and purchase materials. Earnings from the project have, far more than a year, been sent via the Peruvian Central Bank to Chase Manhattan in New York for distribution to creditors and shareholders.

However, U.S. banks fear that the heavy debt of the Peruvian public sector estimated to total $5.5bn—might provoke the government to divert these earnings to its own account, or use them as collateral for further finance.

In earlier talks with Peruvian bank officials, including a previous president of the central bank, Chase and other U.S. banks suggested that a law guaranteeing the present system of payment should be a precondition for further finance for the project, and Chase subsequently sent the telex summing up their view of the meeting. Although the Peruvians at the meeting did not then take exception to the U.S. banks' demand, the telex provoked a sharp official response in Lima.

Chase was at pains today to make it clear that, although the telex said the decree was a precondition for further co-operation by U.S. banks on Peruvian finance, this referred strictly to finance for Cuajone, and had no bearing on finance for the balance of payments.

It was therefore wrong, a source said, to suggest that Chase was trying to bully the Peruvians. But the same source admitted that there was inevitably some rub-off between talks on finance for Cuajone and talks on debt rescheduling, because many banks were involved in both.

No-one here is willing to speculate what the Cuajone bank consortium would do if Peru refused to issue the requested decree. However, it is understood that Chase, as gent, would assess the situation and recommend a course of action to the other banks. But since, as Chase indicated today, the telex was more of a negotiating ploy than an outright demand, there may yet be room for compromise.

Meanwhile, there have been no developments in the debt rescheduling talks which started here last week. A source close to the talks said that the Peruvian delegation had been to Washington, and would hold further talks with New York bankers this week.

'Fuel saver' tyre backed

BY OUR OWN CORRESPONDENT NEW YORK, May 31.

THE U.S. Department of Transportation has found in favour of Goodyear Tire and Rubber Company in its dispute with General Motors over the safety of a new elliptical tyre.

Goodyear unveiled the type a year ago, billing it as the "gas-saver which yields 30 more miles on a full tank of petrol." Since then the company has been waiting for the Department's National Highway Traffic Safety Administration to approve sale of the tyre. In the meantime General Motors made no secret of its anxieties about the safety of the tyres.

Goodyear is free to market the tyre from Monday and both Ford and Chrysler can go ahead with plans to offer it as an option on certain 1979 model cars.

Banks to sell new housing certificates

By John Wyles

NEW YORK, May 31.

U.S. BANKS and savings institutions will be free tomorrow to start selling controversial, six-month savings certificates which are designed to increase funds available for house mortgages. But some economists fear that they could further push up short-term interest rates.

The new certificates were conceived by the federal banking regulators as a means of sheltering the housing sector of the economy from the impact of steadily tightening credit, which has pushed short-term interest rates to a three-year high. Flows of money into savings and loan associations, which provide mortgages, and mutual savings banks are 39 per cent lower this year than last, with the result that mortgage rates are rising and the rate of house building is threatened.

With their interest rates on short-term savings pegged at 5-6 per cent, savings associations have been unable to compete with money market instruments such as Treasury bills, and federal officials calculate that the new certificates could attract up to $6bn in new funds.

Commercial banks will be able to sell the new instruments in minimum denominations of $10,000 at the same rate as six-month Treasury bills, which were auctioned last week at 7.14 per cent, while savings institutions can offer them at a rate ¼ per cent higher. However, some mortgage associations fear a movement of funds out of existing accounts and a corresponding increase in the cost of their money.

This, in turn, could push mortgage rates up from the level in April of 9.3 per cent. At the same time, some economists see broader implications, in that this attempt to protect the housing sector from the effects of higher short-term interest rates could make the economy less sensitive to tighter credit conditions and, as a result, force short-term rates to levels higher than would otherwise be the case.

U.S. COMPANY NEWS

BP and Caltex in Singapore venture; Jos. Schlitz lay-offs; U.S. Steel inquiry; Massey-Ferguson second quarter— Page 34

CALIFORNIA TAX REFORM

From mirage to mandate

BY MAURICE IRVINE IN SANTA MONICA, CALIFORNIA

MR. HOWARD JARVIS, a portl[y] 75-year-old retired manufacture[r] and failed politician who vague[ly] resembles the late W. C. Field[s] seems an unlikely candidate fo[r] assassination. But anonymou[s] callers have warned him severa[l] times recently that he will be shot if Proposition 13—the draconian tax reform measure of which he is co-sponsor—passes in California's referendum on June 6.

Mr. Jarvis shrugs. "Listen," he says "it isn't just the nuts who are out to destroy me. It's the whole liberal establishment. That's how I know I'm doing something right."

Proposition 13 is a citizens' initiative. Mr. Jarvis and his ally, Mr. Paul Gann, a 65-year-old retired estate agent, had little trouble collecting some 1.3m signatures for petitions placing the matter on the ballot. There is a growing legion of tax rebels in California, and their revolt is only one among a dozen gathering momentum in the U.S.

Proposition 13, also known as Jarvis-Gann, would roll back property taxes to 1 per cent of 1975-76 assessed value. In doing so, it would deny $7bn in annual tax revenue to local governments and schools. The measure offers no suggestions as to how that loss might be made up.

How can the gap be bridged? The legislature threatens to increase sales, income, and other state taxes by 60 per cent or more. Bills to this effect are already in the works. The Governor, Mr. Jerry Brown, says that if the proposition passes "the State will not act as a sugar-daddy to local government." But in fact he will have [n]e alternative but to support [su]ch bills, and he admits that [Pr]oposition 13 would force him [to] introduce drastic economies [at] every level of government.

[C]alifornia's state and local [gov]ernments collect some $40bn [in] taxes annually. Proposition [13] would cut property tax [reve]nues in the coming fiscal [year] from an estimated $12bn [to] 5bn. But local government [depe]nds heavily on property [taxes] —which now stand at [about] 3 per cent of assessed [value] —to pay for schools, fire [prot]ection, flood control and essential services.

[Pro]perty taxes are set by the [st]ate and collected by local [author]ities. Each county has its [assesso]r, an elected official, who [deter]mines assessed valuation. [In Ca]lifornia, assessments have r[isen f]aster than anywhere in t[he U.]S., thanks largely to a la[w of] 1971 which requires the as[sessor] to use the latest sale p[rice of] a house in fixing values th[rough]out a neighbourhood.

[Foes] of Proposition 13 point ou[t that] the taxpayers who will ge[t the] biggest break are not ind[ividua]l homeowners, who own on[ly o]ne-third of taxable pro[perty] in the state. Two-thirds of [the Ja]rvis cut would benefit the [bigg]est landowners, landlor[ds and] commercial-industrial pro[perty o]wners.

C[aliforni]a has been thrown into [a fi]t of Jarvis-Fever: T-sh[irts, b]umper stickers, billboar[ds, T]V commercials in milli[ons pl]ead for yes or no votes[. Un]iversity chancellors and [Nobel] Prize winners debate the [issue i]n public. In towns up an[d dow]n the state signs have been [poste]d at libraries, fire stations, parks, even zoos, foretelling that if Jarvis-Gann passes "this facility will be closed."

The proposal is assailed by a broad array of unusual allies—Bank of America, AFL-CIO, the League of Women Voters, California Manufacturers' Association, California Teachers' Association, and hundreds of others, large and small. Governor Brown, a Republican, calls it "a fraud, a rip-off and a disaster." Nearly all Democratic politicians in the state agree with him.

Californians seem largely unmoved. A majority apparently believe with Senator S. I. Hayakawa, a Republican, that "this is the shock treatment needed to bring big government to its fiscal senses."

To some extent, the treatment is already having effect. Mr. Brown, who is running for re-election this year, has moderated his attacks on Proposition 13 in recent days. From "a mirage that's going to blow up in our faces" it has become "a mandate to curtail government at every level which we'll have to carry out, if the people want it." Mr. Brown is now saying in public that he believes that Jarvis-Gann will pass.

Many "curtailments" have been spelt out already, in horrid detail, by a task force set up by Mr. Brown to study contingency plans to deal with any post-Jarvis crisis. Tens of thousands of teachers have received provisional dismissal notices. The huge Los Angeles school district reports that it would be forced to cut its staff of 60,000 by about two-thirds—18,500 teachers and 21,000 other employees. "Education as we known it in California would be destroyed," according to Mr. Wilson Riles, the state's schools chief.

Mayor Tom Bradley of Los Angeles talks of slashing $200m from the city budget, firing 1,000 policemen, 4,000 firemen and closing 140 fire stations. From San Francisco, San Diego, and other major cities come equally dire predictions. The San Francisco-based Bank of America agrees that Jarvis-Gann would result in "a drastic reduction of essential services or a significant increase in other taxes—most likely sales and income-tax."

A group of Californian citizens is seeking to roll back the property tax, the U.S. equivalent of rates. But the Governor, Mr. Jerry Brown, says "the State will not act as a sugar-daddy to local government."

Mr. Jarvis, a sometimes overbearing debater, dismisses the massive computerised mailing of firing notices to teachers as "scare tactics." The state constitution requires that the state finance public education. "They'll find the money. Besides, why should property owners pay for schools that turn out more and more illiterates each year?"

California was ripe for a tax revolt. A mixture of inflation and speculation has sent housing prices soaring. Homes which sold for $50,000 three years ago now fetch $150,000, resulting in property tax leaps of 100 per cent or more in a single year.

Yet the state treasury bulges with a $4bn cash surplus. Mr. Brown tried to hand some of the surplus back through a $1bn tax relief bill earlier this year. It was halted by the State Senate.

When it became clear that Jarvis-Gann had great popular support, the Brown administration threw its weight behind a rival scheme, sponsored by a State Senator, Mr. Peter Behr, and tied to another proposition on the ballot, No. 8. The Behr Bill would give property owners a 30 per cent tax cut, and make up some $1.5bn in reduced property taxes from the State surplus. Professor Milton Friedman, the Nobel Prize-winning economist, who is speaking out strongly for Jarvis and made his first TV commercial on its behalf, calls the measure "Behr-faced fraud." Dr. Friedman says the Bill is so written that the legislature could find ways around it, and return to their old habits once the threat of Prop. 13 was gone. The foes of Prop. 13 responded by producing not one but two Nobel laureates of their own who oppose the Jarvis initiative.

How will California vote? Latest polls give Jarvis the edge, 42 per cent to 39 per cent. But should Prop. 13 pass, Mr. Brown's aides say it will be tied up in the courts for months, perhaps years, by legal challenges from public employee groups.

Proxmire to [ho]ld NYC hearings

BY OUR OWN CORRESPONDENT NEW YORK, May 31.

NEW YORK City's struggle for financial survival takes the centre of the Congressional stage next week under the direction of Senator William Proxmire and before an audience of his Senate banking committee.

As chairman of the committee, Sen. Proxmire has scheduled four days of hearings next Tuesday and Wednesday and for the same two days the following week.

The committee was to have begun its investigation of the Carter Administration's proposal to provide $2bn 15 year loan guarantees last week but the hearings were cancelled by the Wisconsin Senator when the city failed to line up the various elements of a complicated programm[e tha]t was designated an essentia[l con]dition for federal aid.

With [the] existing federal short-te[rm loa]n programme due to expir[e Ju]ne 30, this delay put the c[ity und]er great pressure, although [several] elements of this programm[e rem]ain unattained.

City ne[gotiato]rs are to resume talks w[ith m]unicipal union leaders t[o forge] a new two-year pay deal [after] nearly three months o[f incon]clusive discussion.

Sen. Pro[xmire a]nd the Federal Governme[nt want] to see a settlement whi[ch ma]kes minimum pay conces[sions t]o the unions.

Meanwhi[le the] New York state legislature [is clo]se to passing legislation which would extend the life of the emergency Financial Control Board for a further 19 years and which would give it teeth to veto transactions which it believed were beyond the city's fiscal means.

However, the major New York banks and institutions have warned they will not purchase the $1bn of securities necessary for the city's operations over the next four years unless a "sun-set" provision, allowing the Board's powers to wane, is removed from the legislation.

This is likely to be accommodated by the legislature which is also trying to move swiftly on legislation to increase the borrowing powers of the Municipal Assistance Corporation

Canada N-weapons delay

BY VICTOR MACKIE OTTAWA, May 31.

CANADA WILL not have divested itself of nuclear weapons until about 1983-84, Admiral R. H. Falls, chief of the Canadian Defence Staff, told the Commons Defence Committee today.

He said that Voodoo aircraft may be displaced by 1983 by new fighters which the Government is in the market to buy.

The defence chief also told the committee that the neutron bomb was "less ominous," in that it produced less blast than a conventional nuclear warhead.

He was questioned by Opposition members, who pointed out that the Prime Minister, Mr. Pierre Trudeau, had left the impression, when he spoke at the UN General Assembly, that Canada was renouncing nuclear weapons immediately. They also suggested that the admiral was adopting a line which diverged from that laid down by Mr. Trudeau in his UN speech on the neutron bomb.

The Deputy Prime Minister, Mr. Allan MacEachen, disagreed, saying that Canada supports the decision of the U.S. to postpone production of the special battlefield neutron weapon. Canada, he said, hoped that the Soviet Union would show similar restraint in its deployment of forces. He claimed that the U.S. and Canada, by their stand, had put Moscow on the defensive.

An Opposition member said Mr. Trudeau's speech to the UN had left a "false impression" that Canada was moving out of nuclear weapons immediately.

OVERSEAS NEWS

Pakistan seeks $800-$900m help

BY DAVID WHITE

PARIS, May 31.

THE WORLD BANK'S Pakistan Committee of donor countries meets here tomorrow and Friday to consider Pakistan's request for an increase in its debt relief programme for the 1978-79 fiscal year.

Pakistan is reported to be asking for a total aid package of between $800m and $900m. In 1976-77, the group of donor countries pledged about $700m, including grants, soft loans and project loans. The amount of aid increased by about 5 per cent in 1977-78, according to Bank officials.

The committee groups 11 member countries and the Asian Development Bank, plus observers from international organisations, and will discuss medium and long-range development prospects.

The committee last met in December after the postponement of its regular annual meeting in April last year because of the Pakistani political situation.

Iqbal Mirza adds from Karachi: Along with the aid commitments for the next year, Pakistan has requested the committee to provide it with relief in connection with the repayment of debt which will become due from July 1, 1978. The debt relief or rescheduling which Pakistan is requesting is between $250m and $300m a year. It includes nearly half of the committee debt while the other half is due to be paid to the non-committee members of the World Bank.

In the four-year period which will end on June 30, 1978, Pakistan received a total debt relief of $650m which was rescheduled. Pakistan requested the committee and non-committee countries that such a debt relief is required to maintain a net inflow of aid and ensure that its balance of payments position was not strained. This is after taking into account the maximum feasible effort which the country is expected to make keeping in view of its per capita income which is estimated around $190 to $200 with the population estimated at 73.6m.

WORLD BANK REPORT ON INDIA

Record aid recommended

BY K. K. SHARMA IN NEW DELHI

THE WORLD BANK has presented a flattering report to members of the Aid India consortium of major western countries and Japan which meets in Paris on June 8 and 9, but has nevertheless recommended substantially higher foreign aid. The Bank feels that although the Indian Government's development strategy will lead to a rapid rise of development expenditure and bring the economy to a more dynamic growth path, "It will also advance the date when the growth of the economy will, once again, be resource-constrained."

The Bank forecasts that the trade deficit and the current account deficit will reach high levels during the second half of the 1978-1983 Five Year Plan. "Hence, the flow of external assistance will once again become an important factor in equilibrating savings and investment as well as in balancing the external payments." At present savings are marginally higher than investment.

When the consortium meets in Paris, it will consider the Bank's recommendation that foreign aid in 1978-79 should be raised to a record $1.2bn from member countries. This amount will be matched by the World Bank, most of the funds coming from its soft-loan affiliate, the International Development Association. Thus, at a time when India's foreign exchange reserves stand at the high level of $5.5bn and the Government is finding it difficult to put them to profitable use, foreign aid will come to the record level of $2.4bn.

This suggests that the World Bank thinks that the surpluses in India's trade for the past couple of years are temporary, and with them the rapid rise of foreign exchange reserves which has resulted largely from inward remittances by Indians working abroad (mainly in the Middle East and not, any longer, in Britain and the U.S.). The Bank's view is shared by the Government's economists who have cautioned against complacency just because of the export boom and the rising reserves. It is likely that the Bank's conclusions have emerged from discussions with Indian officials.

India's draft plan for 1978-83 similarly envisages continuance of foreign aid on a substantial scale to meet the resources gap. The Plan has been stalled for political reasons since the National Development Council, of which all Chief Ministers of Indian states are members, called for a fresh version, to be considered again in November. But the draft makes it clear that the Planning Commission also envisages a resources gap to be filled by foreign aid.

The World Bank points out that external assistance to India has increased in the past three years, commitments rising from an average of $1.4bn a year in the 1970-75 period to an average of $2.5bn a year during 1975-78. Net disbursements have increased from an average of $800m to an average of $1.5bn.

But the Bank points out that the contribution of these flows to India's real import capability, given world inflation, did not increase between the two periods. Net transfer of resources from abroad has never been above 3 per cent of GNP and fell to as little as 0.8 per cent between 1969-70 and 1973-74. India's repayment liabilities on past loans are estimated at between $450m and $500m annually over the next five years.

Foreign aid to India could rise to a record level of $2.4bn when foreign exchange reserves are high at $5.5bn.

The Bank welcomes the draft Plan. With large stocks of foodgrains and an improved supply of foreign exchange, it says the circumstances present a great opportunity for promoting the Indian economy. "The Draft Plan responds to this opportunity by projecting a rapid growth in real terms of both overall investment and public expenditure."

The Bank is impressed by the Government's strategy for the agriculture sector. "Rural development is the centrepiece of development strategy and the draft Plan allocates an increased share of public expenditures to the rural sector. The Plan also responds to the urgent need to reorient the country's development towards improving the living conditions of the poor. This is reflected in the principal objectives: first the removal of unemployment and significant underemployment: second, an appreciable rise in the standards of living of the poorest sections; and third, the provision of basic need to the low income groups."

Though impressed by the Government's emphasis on the rural sector and encouraged by the country's favourable balance of payments position, comfortable grain reserves and price stability, the bank offers a warning.

"A new situation has arisen in which the plentiful supplies of foodgrains, other basic commodities and foreign exchange could not be absorbed. This, however, did not prevent the emergence of price inflation in certain basic consumption items such as pulses, edible oils, ... dairy products and even ... during 1977. The co-existence of excess supplies in some sectors of the economy with demand pressures in others has perplexed students of the Indian economy; it has also focused attention of policy makers on the problem of how to make the best use of the enhanced resources during the 1978-83 five-year plan period."

On industry, the Bank has noted that India now has a "broad and sophisticated industrial base and that production has increased significantly in the last three years ... e, on the demand side, there has been rise in incomes and increased exports." But it adds that "private investment in industry has stagnated and the second half of 1977-78 the growth in industrial production slackened again and fell back to the low rate of early 1970s."

On population growth—considered India's ... problem now that the population is rising at 2 per cent annually—the bank says the momentum of the family planning programme has yet to be recaptured, particularly in northern India since it was abandoned following the 1977 election. The Bank hopes that the population growth rate will come down to around 1.1 per cent by the turn of the century.

Zairean general to be executed

LUBUMBASHI, ZAIRE, May 31.

THE FORMER GENERAL commanding Zaire Government troops in Kolwezi has been sentenced to death for cowardice against rebels who occupied the mining town two weeks ago, the official news agency Azap reported today. It said sentence was passed last Saturday on the officer after an 11-hour session of a military tribunal, officially called a "council of war."

The officer, named as General Tshiveka, was accused of withdrawing troops and fleeing in the face of anti-Government rebels who invaded the town in Shaba province.

Meanwhile in Lusaka, it was reported that Zambia's President, Mr. Kenneth Kaunda, would fly to neighbouring Angola for talks with President Agostinho Neto next weekend. A State House spokesman declined to say what the two leaders would discuss. But Government sources said the main topic would be the recent fighting in southern Zaire.

More than 1,000 people, including some 200 Europeans, are reported to have died in the fighting which began three weeks ago when Katangese rebels invaded Zaire's Shaba province. The rebels were repelled by French and Belgian paratroopers.

The invasion has embittered Zaire's relations with Zambia and Angola, with the Kinshasa Government of President Mobutu Sese Seko accusing both countries of helping the rebels. The sources said it seemed likely that Mr. Kaunda would arrange a meeting with President Mobutu soon after his talks with the Angolan leader.

Reuter

Lebanon truce threat after heavy shelling

BY IHSAN HIJAZI

BEIRUT, May 31.

RECURRING TENSION in southern Lebanon is threatening the fragile truce there after twelve people were killed in two days of heavy shelling of the town of Nabatiyeh and seven surrounding villages.

The Palestine Liberation Organisation (PLO) whose forces control the town about nine miles from the Israeli border, has warned that it will retaliate if the shelling continued. A communique by the Palestinians said that five people were killed and 17 wounded in heavy pounding of the town and neighbouring villages last night alone. Israeli gunners and their Lebanese Right-wing allies have been accused of mounting the artillery barrage which started on Tuesday night.

The tension coincided with the talks today between Mr. Elias Sarkis the Lebanese President and Mr. Hafez Assad, Syrian President.

The situation in southern Lebanon is expected to dominate the discussions between the two leaders in their first meeting in six months.

Mr. Sarkis is known to want the Syrians to exercise pressure on the Palestinians so they stay out of the United Nations-controlled region in southern Lebanon.

Last week, Mr. Yasir Arafat, the PLO leader, issued strict instructions against infiltration by guerrillas into the UN controlled zone.

Last night Mr. Arafat sent an urgent note to the UN command here warning that the guerrillas would not stand idly by if the shelling of Nabatiyeh and its vicinity continues

Israel 'must act against inflation'

By L. Daniel

TELAVIV, May 31.

AN URGENT request to the Government to cut the state budget by I£... (more than 2 per cent) and to collect I£2-3bn more in taxes on the basis of the existing tax rates, is contained in the annual report of Mr. Arnon Gafni, Governor of the Bank of Israel, submitted to the Knesset finance committee today.

These steps are urgent if inflation is not to get out of hand, he warned. The Government has been pumping I£1.5bn monthly into the economy in excess of budgeted expenditure, and this has already caused demand inflation. If this trend continues, deficit financing will rise from the originally projected I£4bn to I£18bn or 10 per cent of the budget, economists warn.

The injection of these large amounts into the economy has already raised prices of real estate and durable goods and will result in a new round of wage demands. Economists also fear the expansion of exports in recent months will be halted with the home market absorbing imports of such goods as cars and electrical appliances. Both trends would reverse the improvement in the balance of trade during the past two years.

● The Israeli pound has fallen by 14 per cent against the dollar since it was floated on October 28 last year at a tentative rate of I£15.30 to the dollar. But while it dropped by 7 per cent in the following six months, it has fallen by a further 7 per cent since the end of April and is now being sold at I£17.51 per dollar, while banks buy at I£17.39.

Fresh Rhodesia talks bid

BY MARTIN DICKSON

BRITAIN AND the U.S. today launch a fresh diplomatic effort designed to pave the way for a round table conference on Rhodesia, but the mission appears to stand little chance of success.

Mr. John Graham, a Deputy Under-Secretary at the Foreign Office, arrives in Lusaka today to team up with Mr. Stephen Low, the U.S. ambassador to Zambia, and these two men, veterans of Rhodesian shuttle diplomacy, will tour southern Africa in an attempt to set up a round table conference.

While the Patriotic Front guerrilla movement has accepted the idea of a conference, the parties to the so-called internal Rhodesian settlement said last month that such a meeting would be "doomed to failure." Since then, there has been nothing to indicate any change of heart by the internal leaders.

Quentin Peel writes from Johannesburg: A new wave of dententions of black activists has been launched by South African security police, in what is seen as a possible attempt to head off demonstrations timed to coincide with the anniversary of the Soweto riots on June 16.

Burmese-Bangladesh tension increases

BY SIMON HENDERSON

DACCA, May 31.

SERIOUS BORDER tensions and strained relations between Bangladesh and Burma have resulted from the forced exodus of thousands of Moslem refugees from Burma to Bangladesh. Mr. Tobarrak Hussein, the Bangladesh Foreign Secretary, said here today.

Some 150,000 refugees have so far arrived, he said, adding that no country had the moral or political right to expel a minority. He said some of the refugees were driven to the border by gunfire and there had been some shots fired across the border. There were no Bangladesh casualties but in several cases army units had to fire back in self-defence.

Outlining the latest position of the refugees, who are being kept in nine camps established along the 200-mile border, Mr. Hussein said the refugees continued to claim that they were forced into leaving by the Burmese army and that young men and women were being kept behind to work as forced labour. They also claim that some have been murdered and many women raped.

The refugees started crossing the frontier after the Burmese authorities began conducting a census. The border Arakan province has many Moslem families who over the past three centuries have moved from what is now Bangladesh and now form a large minority. When the Burmese authorities started issuing registration cards many refused to be labelled as foreigners and it is those without a card who are now being expelled, according to sources here.

The Bangladesh Foreign Secretary said talks he had with the Burmese on the subject in the past two months had been without result but he would be leading another delegation to Rangoon on June 6. He said both sides had an agreement to settle problems bilaterally and through negotiation. His Government's line was that the refugees should be allowed to return. Bangladesh could not contemplate assimilating them, he said, and to this end they were not being allowed outside the camps. The refugees who were mostly poor farmers had also expressed the desire to return if conditions improve.

Observers here say they suspect that the Burmese Army is moving against the Moslems now because they fear a non-Buddhist majority in the area within a few years and consequent insurgency as they have on other borders. They reject the suggestion that the Rangoon Government is aiming for a purification of the Burmese race.

It is also noted that the exodus coincides with the announcement of the revival of political activity in Bangladesh and the campaign for presidential elections which are to be held this Saturday. The implication is that Rangoon acted while it thought Dacca was otherwise occupied.

The refugees, who are still coming across the land and river border at a rate of several thousand a day, are being looked after by a relief scheme co-ordinated by the United Nations High Commissioner for Refugees. So far $3m has been committed, according to Mr. Hussein, and there was no shortage of food, water or medicine. But the newly arrived monsoon was making living conditions difficult and mass inoculations were taking place against cholera, smallpox and typhoid.

WORLD TRADE NEWS

Sales of Scotch to U.S. up 28%

SCOTCH WHISKY exports in the first four months of 1978 rose by 13.3 per cent in volume to 32.7m gallons and 22.5 per cent in value to £187.5m compared with the same period last year, our Industrial Staff writes.

The main reason for the upsurge was a steep increase in shipments to the US, the world's biggest market for Scotch, in front of price increases announced in February but which for technical reasons were not implemented until May 1.

Scotch whisky exports to the U.S. jumped by 71 per cent in volume in April alone and for the four-month period were up by 27.67 per cent in volume to 11.76m gallons and 26.54 per cent in value to £57.2m. The industry expects shipments to tail off steeply from now on.

For the world as a whole during the four months, exports of Scotch blended and bottled in Scotland were ahead by 10.4 per cent in volume and 22.4 per cent in value to 22.5m gallons (worth £160m).

Britain wins £3.5m banknote plant deals

Portals has won contracts to install banknote paper making facilities in both India and Switzerland, a Financial Times reporter writes. The Indian deal, worth an initial £2¼m, is to double output at the Hoshangabad mill. The Swiss agreement, incorporating British equipment and technology valued at £1¼m, is for a cylinder mould paper machine at Landquart to allow banknote paper for the National Bank of Switzerland to be manufactured domestically.

Aluminium study

Pechiney of France is studying the establishment of a $150m aluminium smelting project in Sabah, Malaysia, AP-DJ reports from Kuala Lumpur. The project envisages production of billets and ingots.

Freighters for Vietnam

Kanematsu Gosho of Japan has signed a $12m contract to supply four used freighters to Vietnam, AP-DJ reports from Tokyo. Vietnam will use a syndicated Japanese bank loan to buy the two 10,000-dwt and two 12,000-dwt vessels.

India in Dubai plan

Gammon India has secured a rupees 50m contract to build and install a desalination plant in Dubai, Our Own Correspondent writes from Bombay. The plant is one of the Dubai Electricity Company's main projects for converting sea water into boiler feed water. The work includes units processing 13,000 cubic metres a day.

Japan TV sales fall

Japan's colour television exports fell 12.7 per cent in April to 264,418 sets from 302,862 in March and down 38 per cent from 422,867 in April 1977, Reuter reports from Tokyo. The Japan Electronic Industries Association said the fall was due mainly to reduced shipments to the U.S. and West European countries.

Belem project move

Joao Paulo dos Reis Yelloso, the Brazilian Minister of Planning, told a press conference that formal agreements on a $4bn-$5bn agricultural and aluminium project will be signed between Japan and Brazil next month, AP-DJ reports from Tokyo. The ventures are an aluminium smeltery with an annual capacity of 320,000 tons and an alumina plant with an annual capacity of 800,000 tons in the suburbs of Belem.

Export boost for Swedish pulp and paper industry

BY JOHN WALKER

STOCKHOLM, May 31.

SWEDISH pulp and paper exports during the first three months of this year showed a considerable improvement, the Swedish Pulp and Paper Association says in their latest monthly report.

Total deliveries of pulp rose by 16 per cent to 1.09m tons and those of paper and board by 11 per cent to 1.32m tons compared with the same period in 1977.

The production of paper and board increased during the first quarter of this year by 33,000 tons or 2.4 per cent. The production of wood-free printing paper noted a sharp upswing and also in the case of newsprint a positive trend was noted. In contrast the association says that production of magazine paper and kraft paper decreased as did that of sulphite wrapping paper.

Paper and board exports rose by 16 per cent to a total of 972,000 tons, while the deliveries of paper and board for consumption in Sweden remained at the same level as that achieved in the first quarter of 1977.

Substantial increases in exports were noted for printing paper and material for corrugated fibre board production.

The steepest rise in Swedish exports was to countries outside Europe while trade with Sweden's two main markets, the U.K. and West Germany only increased on a minor scale and dropped in the case of Denmark.

The deliveries of paper and board to other countries in the Common Market displayed a favourable trend.

Despite the improved demand for Swedish pulp, production of market pulp this year has been on approximately the same scale as during the first three months of last year and amounted to 872,000 tons.

With growing deliveries this has meant a considerable reduction of pulp stocks. This trend is continuing during the second quarter and is expected to bring stocks to a normal level at the end of the first half of this year.

The deliveries of chemical paper pulp showed the sharpest rise in shipments for bleached sulphite qualities. The demand for bleached hardwood sulphate pulp was also strong during the first three months. Deliveries of mechanical pulp showed an improvement of more than 25 per cent during the first quarter of this year.

Chemical paper pulp exports to Western Europe increased by 9 per cent. More than 625,000 tons were delivered during the period.

Romania in new airliner talks

BY ADRIAN DICKS

DUSSELDORF, May 31.

ROMANIA IS once again engaged in talks with VFW-Fokker, the German-Dutch aerospace group, over possible production of the VFW 614, the short-haul jet airliner, production of which was abandoned by the company as a condition of a financial rescue by the West German Government last December.

Herr Johann Schaffler, deputy chairman of VFW-Fokker, confirmed rumours circulating here for a week or two that the 44-seater VFW 614 is still attractive to the Romanians. Last summer the company concluded a joint production programme under which as many as 180 aircraft were to have been built in Romania and exported to Eastern Europe.

Cancellation of the airliner's production in West Germany after only 16 had been sold had been assumed to spell the end of the Romanian contract, since VFW-Fokker has no funds with which to continue production of parts.

Herr Schaeffler made clear that if some new means of continuing the deal is agreed, work on the aircraft would not be resumed in VFW-Fokker's plants. Romania would have to take full responsibility for production, and would presumably therefore have to make its own arrangements with Rolls-Royce and SNECMA, builders of the M45H turbofan engine that powers the aircraft.

The possible revival of Romanian interest in the aircraft is not seen in West Germany as a threat to the chances of the British BAC One-Eleven, joint production of which is also under continuing discussion with British Aerospace.

Allied Breweries win big Iran consultancy contract

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

ALLIED BREWERIES has won an engineering and technical consultancy contract for a £12m expansion at the Iran Malta company's brewery in Tehran.

As part of the Government's industrial strategy programme the UK brewing industry has been concentrating on selling technology overseas as a way of building up exports. It is the first indication that the industry is having some success.

The Tehran brewery is the second largest in Iran and will remain so even though its capacity is to be lifted to 500,000 hectolitres (roughly 90m pints) a year. It currently accounts for about a third of the Iranian beer market.

It is already exclusively committed to producing Skol lager, the brand owned by Skol International, in turn 90 per cent controlled by Allied.

Allied has long been involved in building overseas breweries, as well as giving a technical and quality control service, with projects in Kenya, India, Spain and the Caribbean.

Skol is brewed in 15 countries and sold in 74. The expansion in Iran will help the brand towards its world-wide target of sales of 9m hectolitres (1.6bn pints) this year.

Middle East's rail network 'set to expand'

By Our Transport Correspondent

A SIGNIFICANT acceleration in the expansion of railways in the Middle East is foreseen in a report published today by the Economist Intelligence Unit.

The report, which surveys the whole transport and shipping scene in the area, says there is still the possibility of "great rewards" for companies in the industrialised world prepared to accept the risks and challenges of involvement in transport expansion in the region.

Most of the railway building and improvement will, the report says, involve conventional systems, although Saudi Arabia may possibly opt to experiment with the latest Japanese technology on high-speed rail links.

Middle Eastern airlines, which have also showed strong growth rates, are expected to provide more work for industrialised countries, with sizeable orders for new aircraft over the next few years.

On shipping, the report predicts that a dramatic rise in oil and gas exports after 1980 will do much to remove the surplus in tanker and gas carrier tonnage.

There is no support for the theory that Middle East countries are likely to embark upon massive expansion of their fleets to take a large share of the freight involved in that expansion.

The future of road haulage services in the region is viewed optimistically. Progress is being made, the report says, on easing administrative restrictions and reducing transit fees.

Middle East Shipping and Transport 1978-85, Economist Intelligence Unit, Spence House, 27, St. James's Place, London, SW1A 1NT. £25 or $65.

Chinese interest in UK's North Sea oil technology

HONG KONG, May 31.

CHINA is interested in British North Sea oil exploration and extraction technology, the leader of a British trade mission said here to-day.

"China has enormous oil reserves, but now needs the know-how to exploit them," he said on return from an 11-day visit to China.

Lord Glenamara, formerly Mr. Edward Short, deputy leader of the Labour Party, said three oil experts on his mission had stayed behind in China to visit oil installations at the request of the Chinese.

Lord Glenamara led a mission organised by the North of England Development Council. The three men who had stayed behind were Mr. David Kemp of the British Gas Corporation, Dr. Colin Wilkinson of Phillips Petroleum Exploration and Mr. M. A. Kirkby of British Petroleum.

Lord Glenamara said the knowledge British oilmen had amassed during the search for North Sea oil was now the information the Chinese wanted to use in expanding their own oil exploration and production.

During the visit, the mission met Vice-Premier Kang Shih-En, Minister in charge of State Economic Commission, who asked Lord Glenamara to help arrange exchanges of oil technology with Britain.

Lord Glenamara said the Chinese also expressed interest in mining machinery and had asked the Development Council to send another mission soon.

Reuter

Poland aims for trade balance

BY ANTHONY ROBINSON, RECENTLY IN WARSAW

POLAND is making steady progress towards eliminating its trade deficit with the West by 1980. But future plans for the expansion of coal and raw material industries in particular mean that Poland expects to continue borrowing on Western capital markets for the foreseeable future, the First Deputy Finance Minister, Mr. Marian Krazk, told the Financial Times in an interview in Warsaw.

The financial authorities are clearly concerned about unfavourable Western Press comments on the terms agreed on some recently signed Polish loan agreements, and the doubts which have been expressed about Poland's ability to bear the heavy debt servicing and repayment charges scheduled for the early 1980s.

Unofficial estimates put Poland's outstanding foreign debt at around $13bn which is considerably higher than the Polish authorities originally planned for several reasons of which the most important is the series of bad harvests which have led to heavy imports of Western, mainly U.S., grain.

Grain and fodder imports are expected to cost around $2bn in the 1977-78 period and the Polish authorities made it clear at the start of the year that they would have liked the U.S. Commodity Credit Corporation (CCC) to agree to a formal 10-year agreement to replace the existing three-year arrangement with the U.S. Agriculture Department which expires next year.

The U.S. gave a further $500m credit for grain and fodder purchases this year and U.S. Agriculture Secretary Bob Bergland, in Warsaw earlier this month, confirmed that "Poland has asked for some additional time in which to make these instalment payments." Talks will be held in Washington in July to see if a more long range financing arrangement can be agreed to, he added.

The Polish authorities emphasise that the bulk of their foreign borrowing has been directly linked to investment and import of sophisticated plant and licences. A high proportion consists of government credits and supplier credits.

According to Mr. Krazk, "future borrowing will continue for long years to come, but at a decreasing rate, provided both sides are agreed," but he added, "we do not want the West to use the argument that we are too heavily indebted to raise the cost of borrowing."

There are signs, however, that some recent Polish loans have carried significantly higher interest rates than other Comecon country loans.

A case in point is the recent two-year $40m loan arranged by Bank Handlowy with a group of exclusively Arab banks led by Union de Banques Arabes et Francaises (UBAF). The spread of 1.125 per cent over LIBOR looks high compared with current spreads on much larger loans to other Comecon borrowers like Hungary.

But Mr. Roman Malesa, President of Bank Handlowy, claims that this was an atypical loan, being the first with an exclusively Arab group and specifically to finance oil and phosphate imports rather than a future export generating investment project.

Nevertheless the authorities have been sufficiently worried by the Western attitude to the size of the external debt and future borrowing requirements to push through a fairly severe import squeeze over the first part of the year coupled with a major and continuing export effort.

According to Mr. Krask, Poland's trade deficit dropped from $3bn in 1976 to $2bn last year and is now expected to drop further to around $1bn in 1978 with balance being achieved either by late 1979 or early 1980. Substantial surpluses are hoped for in the 1980s as Poland's massive investment programme in new mines, factories, shipyards, chemicals, and energy come on stream.

The temporary import restrictions imposed at the start of the year helped to cut imports by 15 per cent in the first four months while exports rose by 10 per cent. This reduced the trade deficit over this period to $180m compared with $700m in the same period of 1977.

The authorities emphasise that it is to the expansion of exports rather than a painful cutback of imports that Poland is looking for its economic salvation. Fundamental structural changes, such as Poland's conversion from being an importer of cement in the first five-year plan to being an exporter of 2.5m tons this year, lie behind these hopes.

When a balance is achieved, Poland has plans to develop the convertibility of the zloty, initially with its Comecon partners, to be followed by some form of partial convertibility with western currencies, although this is still a long term prospect of rather indistinct outline at present.

As for reports that Poland was considering rejoining the IMF Mr. Krazk said that "at present, we have no attitude to this matter, but we are studying the pluses and minuses. We have people trained in that field, but membership involves a number of factors, including of course our membership of Comecon."

Meanwhile there are signs that the more pragmatic, reformist elements within the planning and economic structure have won the argument for managerial freedom for larger enterprises. In effect it is a repeat performance of the 1973 reforms which were abandoned in 1975 when the centralisers argued that competitive bidding for labour and other resources was a major inflationary factor at the time.

Now greater managerial freedom is to be allowed the larger enterprises but within the context of enhanced powers for the banking system which will have to try and keep the overall economy within plan parameters by greater reliance on monetary policy and credit controls than hitherto.

At the same time the National Bank of Poland is believed to be preparing to set up a special export fund, similar to the 45bn forint fund set up by the National Bank of Hungary. Its function will be to provide finance for those schemes promising a rapid and substantial flow of hard currency from exports.

One black note, however, is that the Government is now apparently resigned to living until 1980 with the present anomalous food price structure, which obliges the exchequer to pay out more in meat subsidies than it spends on all the social services combined. By then it hopes that meat and fodder production will match demand.

Coal Board hit by EEC energy row

By John Lloyd

THE NATIONAL Coal Board's marketing plans have received a serious setback from the inability of the Common Market countries' Energy Ministers to agree on a proposal to subsidise EEC-produced coal.

The proposal to spend about £200m over three years in subsidising EEC coal—largely British and German—for use in power stations was regarded by the Coal Board as a means for breaking into the European market.

It estimated that it might sell about 5m tonnes by 1981. Exports last year were about 1m tonnes, mainly to Europe.

The Coal Board needs extra market for its coal, partly because its production is rising due to the incentive bonus scheme and partly because sales to the steel industry remain low. In addition, its largest single customer, the electricity industry, will probably cut its order next year by as much as 5m tonnes.

Government advisers inquiry

By Philip Rawstorne

THE Civil Service Commission is considering whether changes should be made in the rules governing the appointment of special advisers to Government Ministers. At present, political advisers can be appointed only as temporary civil servants for a period of five years.

Several advisers to Labour Ministers would have to resign next year if the Labour Government is still in office. A Downing Street spokesman, however, denied reports that Mr. James Callaghan had initiated the inquiry into the situation.

Though the Civil Service department is involved in the inquiry the Prime Minister is understood to have made no proposals himself for changes

SOCIETY MERGERS MAY BE KEY TO PROGRESS

High Street war poses dilemma for co-operative movement

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

FINANCIAL losses in the last year by two of the biggest Co-operative retail societies, are increasing the serious concern of a number of the movement's senior executives at the trading position of some individual societies during the High Street prices war.

One of the two societies, the Royal Arsenal, reported a net loss of almost £970,000 in the year to January 21, 1978, on sales figures of almost £124m and faced severe criticism from its shareholders.

The second, the London Co-operative Society, was forced to sell assets, including shares in London Weekend Television, to finance a £986,000 trading loss. The London's turnover last year was up nearly 8 per cent to £207m. (In sales terms, this makes it three-quarters the size of British Home Stores, which reported pre-tax profits of £27m. last year on sales of £274m.)

Difficulties faced by some of the 206 individual societies in competing with private traders such as Tesco were raised at this year's Co-operative Congress in Scarborough, which ended yesterday.

The feeling is that unless the performance of these societies improves, the Co-operative Retail Services—traditionally the society which takes over others in trouble—could find itself with too much on its plate.

With profits under pressure the price war among grocers, and the increasing need for capital to build the really big supermarkets, there seemed at Scarborough to be slightly less resistance to the idea of change than there has been for several years.

Two societies in the South Midlands, for example, are to merge to form a new single society with annual sales of well over £30m—a deal which may be followed by others among the traditionally fiercely independent retail societies.

The figures show that the movement failed last year to sustain the improvement in market share which it had achieved in the previous three years. Its share of total trade fell fractionally to 7 per cent.

Within this global figure, which still makes the Co-op Britain's largest trader, are very wide variations in performance. Some individual societies like the North Midland did well, but others have had a difficult time.

Such worries are not new in the movement, whose autonomous societies are ultimately controlled by its members. But the emergence of superstores—each costing several million pounds—as an important feature of the grocery market, has meant that societies need more capital than they can sometimes raise on their own.

Societies, even some of the larger ones, have been criticised for not sticking to the financial disciplines expected of them. Some in the past have paid more out in dividends than they have made in surplus and have run down their reserves.

At times during the three-day congress, these problems were highlighted by speakers from the platform who called for new initiatives by the Co-op's governing bodies.

The congress also demonstrated the unique structure and aims of the movement, which make it impossible to judge it as just another supermarket group fighting for the housewife's purse.

In spite of the concern in some quarters about individual societies' results there was far more general interest in the increasingly difficult question of how best to preserve the movement's social purpose in a world very different and much more affluent than it was when the Rochdale pioneers started it all and the Co-op was part of working-class life.

These two questions, as several speakers pointed out, are interrelated, because without profit there is no money to finance the movement's wider objectives.

Resistance to change still remains extremely strong in spite of the murmurings about the need for larger societies.

The central executive has long favoured a grand regional plan which would reduce the number of existing societies to 26, but in the last three years the number of mergers has fallen to a trickle.

Talks get hung up on points which in other organisations would seem inconsequential. The Luton Society, which is now to merge with Northampton to form a new South Midlands Society, was previously in merger talks with Enfield Highway.

This would have been along the lines recommended by the regional plan. But the discussions apparently foundered on the question of what the new society should be called.

Enfield apparently insisted on the inclusion of the word "highway" so Luton turned instead to Northampton, which under the regional plan is part of another regional group.

The deal is therefore a good and a bad thing from the point of view of advocates of the grand plan.

On the good side, the merger has not come about through weakness—though both societies must have come under pressure from the price war—and the idea seems to be to enable the larger group to build the kind of large modern stores it needs if it is to compete effectively with groups like Tesco.

Allied Breweries workers given details of changes

BY KENNETH GOODING

DETAILS OF the major reorganisation of Allied Breweries' beer division—which led to the resignation from the Board of Dr. Bernard Kilkenny in January—have now been given to the 20,000 employees involved.

The plan splits the beer division into 11 separate companies, each becoming an independent profit centre. In some of the companies, the sales and administration side will be merged with brewing and distribution.

The companies will be given stronger management teams and "hand-picked men will be drafted in to look after the finance and personnel functions."

Mr. Douglas Strachan, new managing director of the beer division, who was appointed after the departure of Dr. Kilkenny, has told employees there will be no enforced redundancies or loss of terms and conditions.

So far, no talks have been started with the unions, but it must be assumed that Allied will be hoping to cut employment within the division by way of voluntary redundancies and natural wastage.

Many of the names used for the new companies are already in use by Allied—such as Ind Coope, etley and Ansells—and the reorganisation marks the reappearance of Tetley Walker, which will be the company operating in the North of England.

Ford puts up car prices by 3.8%

BY STUART ALEXANDER

FORD began a new round of car price increases yesterday when it announced rises averaging 3.8 per cent, with effect from midnight last night. This is the first Ford rise since January 7 this year, when prices went up an average of 4.8 per cent, and hopes continue that the spiral of rises every 90 days has now been broken.

No other car manufacturer followed suit immediately but it is known that British Leyland has a round of increases in the pipeline and these are likely to become effective within four to six weeks.

Vauxhall and Chrysler are holding off for the time being but it is unlikely they will be able to maintain their prices beyond the end of July. Vauxhall last raised prices on January 1 as did Chrysler, with the exception of Sunbeams and Alpines, which went up on April 1.

Ford can afford to be first to put up its prices as it is taking over 30 per cent of the UK market and, in the Cortina, has Britain's best-selling car. It has avoided discounting and Ford dealers should be making healthy profits.

It blames the rises on increased costs of raw materials, components and services.

Examples of some of the new prices, with the old prices in brackets, are Escort Popular 1100 two-door £2,205.36 (£2,122.58), Fiesta 1100L £2,611 (£2,538), Cortina 1600L £3,242 (£3,120), Granada 2800GL automatic £6,143 (£5,912).

Enterprise Board 'adrift by £450m in costing new plant'

BY MAX WILKINSON

THE National Enterprise Board was accused yesterday of grossly under-estimating the cost of its plan to set up a new semi-conductor plant in the UK.

Mr. Jack Akerman, managing director of Mullard, the Philips subsidiary, and chairman of the National Economic Development Organisation sub-committee for the industry, said the board's calculations appeared to be adrift by at least a factor of 10.

He said international studies showed that some £500m would be needed to set up a viable semi-conductor company competing in the market for world standard products like computer memories and micro computers. However, it appeared that the Enterprise Board believed it could be done for £50m or less.

Mr. Akerman added: "The amount it is reported they are prepared to spend will not buy much more than a do-it-yourself kit for semi-conductor manufacture. It is totally inadequate to compete in a field where technology is highly complex and changing all the time."

Philips had invested around £500m in semi-conductor manufacture, including the purchase of a U.S. company, Signetics, he said. Other multinationals with experience in the electronic markets had invested at about the same rate.

Experience

The French and Japanese Governments both understood that expenditure running into hundreds of millions of pounds was needed to keep pace with research and development and manufacturing techniques, as well as to gain experience in a highly competitive world market.

"You can easily lose £10m a year on a single product. Then, as soon as you start to design a new product, you find that half your equipment is out of date," Mr. Akerman said.

He was astonished that the Enterprise Board should have gone ahead with its plan to form a new company without consulting any of the industry representatives on the NEDO sector working party for the industry.

"I am chairman of the sub-committee for active components which is supposed to be working out an industrial strategy for the UK semi-conductor industry. Our report will be delivered to the Government shortly, and we suddenly find the Enterprise Board is doing something completely different."

The working party will endorse the Department of Industry view that the setting up of a "main line" semi-conductor company in the UK would cost about £500m and prove too expensive for the UK to consider on its own.

Advisers to the French and German Governments and European Commission officials have also concluded that a head-on challenge to U.S. or Japanese semi-conductor companies would be very risky for any single European country and perhaps prohibitively expensive.

The German Government is contributing £75m to a four-year investment programme of around £150m up to this year centred on aid to Siemens. However, the Germans have so far concentrated on special purpose circuits rather than world markets for standard products.

French Government support for its industry is said to depend upon plans for a partnership with a major U.S. company, possibly Mostek.

Siemens, in Germany, and the General Electric Company, in the UK also believe that acquisition of a U.S company or a partnership with one of the leaders of the industry may be the best way to enter the U.S. and the world markets.

● NEWS ANALYSIS — CAR LEASING

Tax battle looks imminent

BY DAVID FREUD

THE Inland Revenue indicated clearly for the first time this week that it plans to move strongly against what it considers tax abuses by some members of the mushrooming car leasing industry.

Harold Perry, a main Ford dealer, revealed that the Revenue was opposing the 1977 tax relief claimed on its leasing activities.

Although the exact grounds for the opposition have not been disclosed by either side, it is known that the Revenue has become increasingly dissatisfied with some of the uses which have been made of the favourable tax status.

It has no objection to leasing arrangements by car hire companies but is more sceptical of cases in which companies supply leased cars to their employees and directors.

And the Revenue believes that current legislation already rules out favourable tax treatment where the car ends up in the hands of the employee or director after the leasing period.

Several companies have been offering schemes with this ownership provision. However, the Revenue has given firm indications that it intends to disallow the tax claims when they are eventually made.

Three elements have come together to cause the present clash.

First, two decisions by Special Tax Commissioners in 1975 changed the tax status of leasing cars, making the practice vastly more attractive.

This, combined with the looser credit controls introduced last July, has fuelled an incredible upsurge in car leasing. The value of the business was estimated at £6m. in 1976; £59m. in 1977; and this year there are projections of total activity in the region of £200m.

Finally, the Inland Revenue seems in the last few years to haved adopted a much more vigorous attitude to tax avoidance.

The special commissioners' decisions in favour of Godfrey Davis and Ford Credit in July 1975 meant that cars could be treated in the same way as any other equipment under the capital allowance provisions of the 1971 Finance Act.

This meant that a lessor of a car could claim full tax relief in a single year against his purchase, rather than spreading the relief over four years, as before.

The decision doubled the tax advantage of leasing. As before, rentals on leased cars were fully tax deductible for companies, and deductions for a purchased vehicle were still spread over four years.

Additionally, the lessor gained a 100 per cent. tax write down, the benefit of which he could pass on to the lessee if he had sufficient profits to set the allowances off against. This requirement explains the fact that the leasing industry is dominated by the big clearing banks and their subsidiaries, with their reliable profits.

The schemes to which the Revenue objects go a stage further after the leasing period, which is normally two years. Clearly the vehicle cannot be sold direct to the company which is the leasing customer, since this would transform the transaction into hire purchase and remove the tax advantages.

Instead the car is sold under the schemes to the executive of the company at a value far below its real worth in the second-hand market — typically at about 10 per cent of the original capital cost.

However, the Revenue now looks as if it is preparing to put a stop to these arrangements in a number of ways — all under present legislation.

First, it may deny the company which leases the car tax deductions for the rental payments. Secondly there are signs that the executives will be taxed under the benefit in kind legislation.

Last, it may hit at the leasing company itself. It could do this either by obliging it to bring the full open market value of the car on sale into its calculations of capital allowances, or if the agreements always lead to sales to executives, it may argue that the car is not a capital asset but stock in trade and does not, therefore, qualify for first-year allowances.

HOME NEWS

De Beers cuts gem surcharge to 15%

BY PAUL CHEESERIGHT

THE SQUEEZE on the international rough diamond market relaxed yesterday when the De Beers Central Selling Organisation told clients that the surcharge on gem stones at its next London sale would be cut to 15 per cent.

The organisation controls the flow of about 85 per cent of the world's rough gem stones on to the world market and holds 10 sales a year for about 300 selected clients.

The surcharge at its March sale was 40 per cent. and 25 per cent at its most recent sale in May.

The policy of levying an extra charge on a flexible basis was adopted in March in a bid to quell speculative trading in rough stones.

Stockpiles grew in main diamond cutting centres, particularly Israel, and stones were changing hands at a premium of up to 100 per cent on the organisation's list price.

The progressive reduction of the surcharge indicates that the level of speculative trading has lessened, and that the rough diamond market has returned to conditions approaching normality.

De Beers said that the allocation of stones to clients would be virtually normal in relation to their demands.

Deprived

This gives little clue as to whether the amount at the sale, starting next Tuesday, will be greater than that offered in early May, but suggests that clients will not be deprived of stock as some were in April.

Over the last two months, premiums offered on stones in the secondary market dropped markedly. Some goods have been selling at prices of 10-15 per cent under the level of the De Beers list price, plus the 25 per cent surcharge obtaining in May.

Stones have also been coming back on to the market from Israel.

Demand for polished diamonds —stones which have passed from the organisation through the first stage of manufacture—has been quiet but firm.

The organisation's flexible policy makes predictions about future pricing difficult. But it is believed in the industry that the 15 per cent surcharge may be the last, and that the organisation will raise its list price to meet the surcharge level within the next few weeks.

JUDGE URGES HOME SECRETARY TO DEPORT 'HUNGARIAN CIRCLE'

Five jailed for bank drafts swindle

JAIL SENTENCES ranging between 4½ and 14 years were imposed at the Old Baily yesterday on five members of the "Hungarian Circle," who tried to swindle banks out of millions of dollars with forged bank drafts.

Judge Gerald Hines, said he intended to recommend that all five men be deported when the requisite notices expired tomorrow.

"As people have come here, primarily if not exclusively, to exercise this kind of plan, it must surely be right that the Home Secretary should be invited to give serious thought to the question whether they should be sent out of the country as soon as possible," he said.

The heaviest sentence was imposed on Henry Oberlander, 51, of Clarendon Road, Notting Hill, West London, said during the trial to have been a man of many identities and a master of disguise.

He was described by the judge as the central and major member of the organisation and jailed for a total of 14 years concurrent on each of two conspiracy charges. He was also fined £25,000 on each charge, with an extra 12 months in default of payment.

He was also ordered to pay £15,000 prosecution costs and the question of his defence costs was referred to the Legal Aid Commission.

Francisco Fiocca, 48, of Westbourne Gardens, Paddington, a master forger, was jailed for eight years for his part in two conspiracies, and ordered to pay £2,500 prosecution costs and up to £2,500 defence costs.

The judge told him: "I am satisfied that throughout the *period that you were here you* were purposefully and effectively engaged in the work of forgery and playing an extremely important part."

Hyperbole

Two men were jailed for six years. They were Andre Biro, 52, of Rosslyn Hill, Hampstead, described as the quartermaster and South American controller in the Hungarian Circle, and Emile Fleischmann, of Ladbroke Mews, Notting Hill, a stateless Hungarian born in Budapest, who also assumed many identities as he helped Oberlander to pass forged bank drafts.

Biro, in addition, was ordered to pay £2,500 prosecution costs and not more than £5,000 defence costs.

Jorge Grunfeld, 55, also of Clarendon Road, a naturalised Argentinian born in Romania, who travelled the world obtaining signatures on genuine bank drafts which the forger could later copy, was jailed for 4½ years and ordered to pay £500 prosecution costs and up to £500 defence costs.

Mr. Kenneth Richardson, for the Crown, said when the case opened that the forgeries were brilliant and the fraud so vast had they gone undetected they would have undermined the banking system of the Western world.

Mr. Ashe Lincoln, QC, asked the judge in mitigation to "treat that as mere hyperbole, which the Crown was entitled to use in opening its case." He submitted that there was no evidence to justify the expression.

Passing sentence, Judge Hinds said: "This is a case which has lasted a substantial time and about which—I do not think anyone would dispute—there is great gravity."

He said comment had been made in the Press and elsewhere about the case but, as the Judge, he felt he must deal with the facts as they had been established in court.

In deciding the future of the five men and the question of *deportation, the judge said he* had first to consider whether the case was so grave that it must be dealt with on the basis of its gravity rather than the interests of the individual.

He believed it was of such intrinsic gravity that the offences proved could have caused a great deal of potential damage to the community. He had to have regard primarily to the public interest in deterring conduct of this kind.

In deciding the maximum penalty for the offences, he had *to have regard to the penalties* which would have been imposed for such serious crimes as murder.

"I have excluded the possibility that this case falls wholly into the exceptional category comparable with the jail sentences in such cases as the Richardson trial and the Train Robbery case in which there was quite vicious brutality.

Extreme care

"This case, I think, misses that, though perhaps not by a very great margin." Notable in the present case was the absence of violence for which credit would be given.

The frauds were planned and carried out with extreme care and the profusion of forged docu*ments was of considerable* variety, the judge said.

Great skill had been used to ensure that the forgeries would be of a quality that made detection well-nigh impossible.

He also took into account the fact that many articles, from passports to travellers cheques, stamps from embassies and other items, had been stolen in various parts of the world to enable the plan to be carried out.

The judge accepted that Grunfeld's part was limited, but in entering the conspiracy he *opened himself to being part of* an offence of great gravity.

A very serious aspect of the case was the offences under the Immigration Act which involved a conspiracy to contravene that Act by using or possessing passports and other documents.

This was not an agreement to commit one isolated offence but a wholseale abuse of the Act in order to travel freely without being readily traced.

It was an abuse of the very existence of passports and such documents to facilitate the fraud which was the subject of a separate conspiracy.

In the judge's view, the passport fraud was equal in gravity to the conspiracy to defraud banks. He rejected a defence submission that these offences were not intended to harm *Britain but intended for fraud* in countries abroad.

Public report likely in response to Eleni V criticism

BY PAUL TAYLOR, INDUSTRIAL STAFF

THE RESULTS of two internal inquiries, one requested by the Prime Minister, into the Department of Trade's handling of the Amoco Cadiz and Eleni V incidents are unlikely to be made public. But some form of public *report dealing with the lessons* of the two incidents is probable.

In the wake of the explosion on Tuesday which sent the Eleni V's bow section to the sea bottom 26 miles off Lowestoft, 12 spraying vessels were yesterday attempting to disperse a square mile of oil patches and prevent further coastal pollution.

Sonar surveys of the wreck, completed yesterday, showed that it is still basically intact and lying 110 ft below the surface. However, the Department of Trade says it does not consider the wreck to be a shipping hazard.

The first of the two inquiries is a purely routine report prepared by Department officers after any major incident. Such *a report was already underway* over the Amoco Cadiz disaster.

The second report, for Mr. Callaghan, is due to be completed by July 1 and will make recommendations for the future handling of pollution emergencies.

Both inquiries are to be conducted by officials in the Department's marine division under the supervision of Mr. Stanley Clinton Davis, Under Secretary for Trade.

Although publication of the findings is unlikely, it is understood that a public report will be prepared, following criticism by local people and MPs over the Department's handling of the 24-day Eleni V affair.

Yesterday, the Department of Trade said a log on the Eleni V would be published next week.

Both the Departmens of Trade and Environment are preparing advice for local authorities and individuals on compensation claims. The Trade Department has already announced it will be submitting a £2m bill for anti-pollution measures under the terms of industry-based and international claims provisions.

More tourists stay in London hotels

BY SUE CAMERON

MORE TOURISTS stayed in London hotels last year than ever before, according to a survey carried out for the English Tourist Board and published yesterday.

The survey, based on monthly figures from 420 hotels throughout England, showed that an average of 65 per cent of beds and 75 per cent of rooms in London hotels were occupied during 1977.

In 1976, the figure for beds occupied was 57 per cent and in 1975 it was only 51 per cent.

During last year, seasonal occupancy rates for beds in London hotels varied from 83 per cent in July to 46 per cent in December.

The total number of overseas visitors to London was 7.8m in 1977 compared to 6.8m in 1976. The number of British visitors to the capital remained constant at 11m.

In other parts of the country, the overall level of occupancy remained static: cheaper seaside hotels let fewer beds, but this was balanced by an upturn in the business done by hotels in larger towns.

The survey, carried out by A. C. Nielsen, shows a steady decline over the last few years in the number of guests going for holidays to seaside hotels charging under £6.50 a night for bed and breakfast.

Average occupancy in seaside hotels went down from 39 per cent in 1976 to 36 per cent last year.

Hotels in big towns and more expensive seaside hotels have been able to maintain or increase the numbers of their guests, partly because of conference trade.

Figures for the regions showed there was a drop in occupancy rates in the North.

This was particularly marked in the North West, where figures for the peak season, July to September, fell from 65 per cent in 1976 to 53 per cent in 1977.

The highest regional occupancy figure recorded last year was 80 per cent for the South—Hampshire, East Dorset and the Isle of Wight.

The London Tourist Board said that it was pleased with the results of the survey because it suggested that the spare hotel capacity of previous years was being utilised. The aim now would be to achieve a more even spread of hotel guests throughout the year.

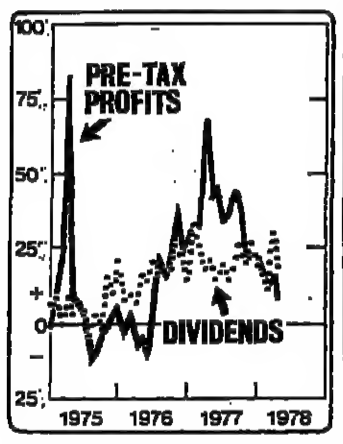
Slowdown of profits in May reports

Financial Times Reporter

TAXABLE profits in the 212 industrial company reports and accounts received during May showed the smallest percentage increase on the comparable year-ago figures since mid-1976.

The rise of 7.4 per cent compares with the previous month's 15.6 per cent increase. Some of the bigger companies acting as a drag on the overall performance included Dunlop Holdings and Guest Keen which showed respective falls of 29 and 19 per cent.

On the other hand, Richard Costain stood out with a 55 per cent profit gain, and others connected with the building industry which made good progress included AP Cement, up 30 per cent, and Ready Mixed Concrete, up 23 per cent, while Hawker Siddeley, with a gain of 30 per cent, and Delta Metal, 22½ per cent, were also prominent.



Dividend costs in the May reports showed a rise of 18½ per cent on the previous year. This is below the 26.6 per cent rise in April reports but slightly better than the first-quarter increase of 16.3 per cent.

Commission acts on sale of cheap imported steel

BY ROY HODSON

IN NEW moves to check sales of cheap imported steel into British and European markets, the European Commission has taken action against East Germany and Australia.

Both countries are alleged to have been selling their steel at below the import prices set by the EEC Davignon Plan.

The commission has imposed a definitive anti-dumping duty on some types of zinc-coated sheet and plate from East Germany.

Such duties are already in force against some other East German steel products.

The move is seen as an important development in Community action against the high levels of steel imports into EEC markets from the Comecon nations.

In its action against Australian trading, the EEC has decided against a definitive anti-dumping duty.

Instead, provisional anti-dumping duties already imposed on iron and steel coils from Australia, exported to Europe for re-rolling, will be extended.

A feature of the commission's measures against steel imports is that the rate of duty is variable.

Arrangements

It can be reduced to the extent that the importer satisfies European customs that the import price is lower than the basic price because of the inferior quality of the goods.

Other steel-producing countries named in recent EEC anti-dumping legislation for iron and steel products include Bulgaria, Czechoslovakia, Romania, South Korea, Japan, Poland and Spain.

Viscount Etienne Davignon, the Industry Commissioner, who devised a plan for protecting the European steel industry and allowing it a breathing space to stabilise, has secured bilateral steel trading arrangements for the Community with EFTA members and other countries.

The British Steel Corporation and the private sector steelmakers belonging to the British Independent Steel Producers Association say that the import restrictions are broadly having the intended effect.

Steel prices have hardened in Britain and Europe from the non-profitable levels of last year.

Although trade is still bad compared with the levels before 1975, British producers now believe that the British Government and the commission are determined to protect them from excesses of unrestrained cheap imports.

The latest issue to be raised with the Government by British steelmakers is the sales of cheap Italian steel into Britain by the small northern Italian companies, known as the Bresciani.

Talks are in progress between the Government and the commission in Brussels towards limiting this trade, either by EEC action or by a unilateral British move.

Ashley Ashwood

Mr. Tony Boyden (centre), campaign organiser of the British Industry 1500 Club, with the Lord Mayor of London, Sir Peter Vanneck (left), a vice-president, and Sir John Methven (right), who has accepted the presidency of the club.

BRITISH INDUSTRY is being asked to raise more than £1.5m to sponsor a challenge for the America's Cup yacht racing series in 1980.

With the endorsement of Sir John Methven, director general of the Confederation of British Industry, and Sir Peter Vanneck, Lord Mayor of London, Mr. Tony Boyden, the campaign organiser, yesterday launched the British Industry 1500 Club, which will be the vehicle for raising the money and helping sponsoring companies to benefit from their contributions. Sir John will be president of the club.

Minimum subscription for each of the first 1,500 companies to come forward will be £1,050. The general public, as well as yacht clubs, will also be invited to contribute.

The money will be used to buy a new 12-metre boat, due to be launched by builders Joyce Marine, at Gosport next January or February, plus an older 12-metre boat from the United States.

If sufficient funds are available, a second new boat would be built for the year of the challenge and all three boats, plus two complete crews and other campaign personnel, would spend at least 100 days practising in the waters off Newport, Rhode Island, ahead of the elimination series.

Powell warning on 'lost power'

By Rupert Cornwell, Lobby Staff

DIRECT ELECTIONS to Europe were an open acknowledgement of the end of Britain's nationhood, and would reduce the status of the country within the Community to that of the West Midlands inside the U.K., Mr. Enoch Powell said last night.

The Ulster Unionist MP for South Down, returning to his favourite anti-Market theme, argued that as a result of EEC membership, Britain had already lost the power to run its own trade policy, its own fisheries policy, and its own agricultural policy.

Britain's existence as a "collective entity" was now the central point at issue.

Mr. Powell told the Federation of Sussex Industries that even if the fundamental political drawbacks to membership were laid aside, the economic case was itself inconclusive. He implicitly suggested that unquantifiable "quality of life" considerations also favoured Britain pulling out of the Community.

Supreme issue

Attempts to measure such concepts as the standard of living and economic growth ignored many factors, he said. "Aspects of life, even of the individual's life, which he values more highly than some of the ones which can be measured."

The question of British membership of the EEC was the supreme political issue of the time. "That is not to say that it is party political," he declared. "Sometimes it is, and sometimes it is not. But it can never be answered other than politically."

Midland raises personal loan interest rates

By Michael Blanden

AN INCREASE in interest rates on personal loans was announced by the Midland Bank yesterday.

The increase follows similar moves by National Westminster and Lloyds, reflecting the recent *general rise in the level of* short-term interest rates. Since the Budget, the banks' base rates for overdraft lending have gone up by 2½ per cent to 9 per cent.

The effective interest rate for new personal loans at the Midland from today will be equivalent to 16.7 per cent for a two-year loan. This compares with 14.7 per cent previously, and is equivalent to a flat-interest rate on the initial amount of 8½ per cent.

Glasgow winner of yacht race

TERENCE BROWNRIGG, a Glasgow accountant, won the 1978 Tomatin Trophy series in his new quater-ton yacht Fiskery at Tarbert, Loch Fyne, with a score of 78½ points. He beat into third place the reigning champion, Nick Stratton.

Stratton, in his new half-tonner Just Djinn, chalked up 51½ points to win the Scottish half-ton championships.

Enterprise Board assets 'should go to industry'

BY MICHAEL BLANDEN

A DRAMATIC reduction in the amount of Government intervention in industry is proposed in a new Hobart Paper published by the Institute of Economic Affairs.

The paper puts forward radical proposals, including removal of the monopoly positions of the nationalised industries, abandoning the attempt to sign planning agreements with industry, and selling the assets of the National Enterprise Board back to private industry.

Written by Prof. S. C. Littlechild of the University of Birmingham, the paper provides a critique of present UK economic thinking and policy from the point of view of the Austrian school of economists, whose main spokesman recently has been Prof. Hayek.

Prof. Littlechild concludes that "the present extent of Government intervention cannot be justified if the aim is to encourage an efficient, responsive and *increasingly wealthy economy.*"

Effective

"A more effective way of achieving the desired ends would be to promote the competitive process by removing Government-imposed barriers to new entry and by strengthening the system of private property rights."

Prof. Littlechild puts forward four main proposals:

- The Monopolies and Mergers Commission should no longer be responsible for mergers. This would make it easier for efficient large companies to expand and withdraw protection from companies whose assets are not being used as efficiently as they might be

Patent monopolies should be abolished, exposing the established companies in industries such as pharmaceuticals and computers to active competition from new and smaller companies.

- Allowing competition against the nationalised industries and enforcing financial discipline would lead to more rapid closures of inefficient steel works and coal pits, and the postal side of the Post Office would contract —though its telecommunications side would expand.
- Abandoning Government inquiries into controversies about planning permission does not necessarily mean that external issues such as the environment would be ignored.

Private property rights should be better defined and enforced so that these less tangible goods could be transacted in the market.

- To abandon the attempt to sign planning agreements would remove a potential hindrance from the larger companies, and to sell back the assets of the National Enterprise Board to private industry would mean less help was available for companies in distress.

Employees and shareholders in such industries would suffer, at least initially, but consumers and taxpayers would benefit.

Prof. Littlechild says that adopting the recommendations of the Austrian economists would not immediately solve Britain's economic problems.

Though many people would benefit, others would initially experience "serious and unpleasant changes in their lives."

The Fallacy of the Mixed Economy: an "Austrian" critique of economic thinking and policy; Prof. S. C. Littlechild; Institute of Economic Affairs; Hobart Paper 80; 88 pages; £1.50.

ITV ex-editor wins a medal

THE ROYAL Television Society has awarded its 1978 Gold Medal to Sir Geoffrey Cox, pioneer editor of ITN and creator of News at Ten. This medal is awarded each year for good contributions to television.

Sir Geoffrey resigned his television directorships last year to become spokesman for the independent television companies at the time the Annan Report was being compiled. He remains a consultant to Trident, and chairman of an international newsfilm agency.

Denmark visit

MR. JOHN FRASER, Minister of State, Prices and Consumer Protection, is on a three-day visit to Denmark during which he will meet the Danish Consumer Ombudsman, Mr. Niels Enrenreich and members of the Consumer Council. He will also have talks with Mr. Erling Jenson, Minister of Justice and Mr. Ivar Norgaard, Minister of Commerce.

Public 'needs education' on insurance

By Eric Short

INSURANCE COMPANIES needed to do more to educate the public about insurance matters and to tell them the facts about life assurance, especially its achievements, said Mr. Joe Macharg, general manager of the Scottish Provident Institution, at a seminar in London yesterday.

Life insurance had much of which to be proud in its operations. It was one of the more successful of British "industries." Yet like a lot of other bodies, it was condemned unjustly simply through lack of understanding.

He considered that if everyone understood better what it was trying to do, and how it was trying to do it, it would receive more sympathetic treatment from politicians and others.

There would be much less talk about direction of investments, and a general desire by politicians to run the insurance industry.

Mr. Macharg said that the British Insurance Association and the Life Offices Association had produced some excellent educational kits for schools and other educational centres covering all aspects of insurance. He urged that more use be made of these.

Parents press for drug damage inquiry

PARENTS—who believe their children have been damaged by hormone pregnancy testing tablets are to see Mr. Roland Moyle, Health Minister, next Tuesday to renew calls for an inquiry.

The parents, whose campaign is being led by Mr. Jack Ashley, Labour MP, are angry at Mr. Moyle's refusal of a request for an inquiry during a Commons debate last week.

Damage attributed to the drugs, withdrawn in 1976 for pregnancy testing, include heart and limb defects and cleft palates. It has been estimated that thousands of children may have been affected.

Good start at Wateringbury

SALEROOM

BY ANTONY THORNCROFT

CHRISTIES' yesterday started one of its biggest house sales disposing of the contents of Wateringbury Place, Kent, which was built for Sir Thomas Style in 1707 and returned to the family when Mr. David Style bought it in 1945.

Mr. Style has subsequently built up the fine collection which is being sold this week. The first day total of £631,810 was comfortably above estimate.

Best price was £30,000, plus 10 per cent buyer's premium, paid by a Spanish private buyer for an important suite of early George III walnut seat furniture in the Chinese Chippendale style.

The buyer also acquired, for £13,500, a pair of George III marquetry commodes.

Other good prices were the £22,000 from a private Swiss buyer for a Swedish kingwood and yew bureau cabinet of the mid-18th century; the £21,000, from Partridge Fine Art of London, for an *ormolu* ebony and pietra dura side cabinet, c. 1830; and £20,000 from R. A. Lee, another London dealer, for a George III mahogany pagoda cabinet in the style of Thomas Chippendale

An Italian ebony cabinet on stand, of the mid-17th century, realised £19,000 and Partridge Fine Art, again, paid £16,000 for a George III ormolu mounted mahogany commode.

The same sum secured an Italian porphyry and rosso levanto marble bust of the Emperor Vitellius made in Rome, c. 1600. It was bought by the Musee de Versailles. In 1882 it sold at Christie's for £525.

A pair of late George II mirrors went to Christopher Gibbs, the London dealer, for £12,000.

Clash as Heathrow extension inquiry opens

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SHARP DIVISIONS of opinion *over the necessity for the pro*posed fourth passenger terminal at Heathrow Airport emerged yesterday when the public inquiry into the plan opened in London.

Lord Silsoe, QC, for the British Aiports Authority, argued that the proposed £50m. terminal would be "a vitally important part of this country's transport system," without which there would be a shortfall of airport capacity to handle the expected growth of traffic in the 1980s.

But lawyers for the opposition, including various environmental groups representing the area around Heathrow, argued that the proposed terminal should not be permitted until the Government itself has clarified its long-term strategy for airport development in the UK and especially in the South-East of England.

The inquiry has been called by the Department of the Environment because of the considerable concern the proposed fourth terminal has generated. The British Airports Authority wants the terminal by the mid-1980s, so as to increase the capacity of Heathrow from the present 30m passengers a year to 38m.

The inquiry is being presided over by Mr. Iain Glidewell, QC, with the assistance of two assessors, Mr. Robin Goodison, former deputy chairman of the Civil Aviation Authority, and Mr. J. H. Chater, a principal planning inspector in the Department of the Environment.

Planning bodies

There are over 400 objectors to the proposed terminal, including local authorities, residents' associations, environmental groups and individuals.

As a result, the inquiry is expected to take several months and is not likely to complete its work until the mid to late autumn.

The first three days of the inquiry have been set aside for the opening statements of the various parties, including the airports authority and the planning bodies involved.

But the broad shape of the inquiry began to emerge yesterday, with the sharply contrasting views of the various parties.

Lord Silsoe, for the airports authority, stressed that the authority regarded the proposed terminal as essential. The available capacity at Heathrow, Gatwick, Stansted and Luton would cease to be sufficient between 1982 and 1985, while some elements at Heathrow would be surfeited earlier.

"There is no way in which the expected shortfall in capacity can be met without the provision of a fourth terminal," he said. "The failure to provide the terminal would be detrimental to national interests and the interests of London and the South-East."

Opponents of the terminal, however, expressed fears that it would no tnecessarily mean the end of expansion at Heathrow. A case for an eventual fifth terminal could be made out on the same grounds—that there would be chaos without it.

Roadworks

Moreover, the fears extended to the effects of a terminal on the surrounding road, and it was urged that the terminal should not go ahead until the M-25 motorway and other major roadworks were completed.

At one stage, the objectors' case was applauded by the public in the hall, but Mr. Glidewell asked for silence and stressed that "expressions of enthusiasm or lack of it for what a speaker has to say is not a matter which at any stage of the inquiry will impress or help me."

The inquiry continues today.

هكذا من الأهل

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TEXTILES

Micro gets it sewn up

LATEST conquest of the microprocessor is the industrial sewing machine. Later on this year The Singer Company will be introducing a model that will be likely to have a dramatic effect on the rag trade.

Known as the Programmable Centurion, the machine is the outcome of a project in custom MOS design undertaken for the company by AMI Microsystems.

Its main effect will be that the operator will not have to remember complicated work sequences. As soon as the machine has been used once in the prescribed manner, the program is stored in random access memory; from then on the operator (or any other operator) simply has to guide the material and hold the treadle down.

For garment industry management the machine means that instead of giving lessons to operators, the sewing machines themselves will receive the training, countering staff turnover and training cost problems.

Regardless of complexity, the machine remembers up to 50 jobs and repeats them flawlessly at speeds up to 100 stitches per second.

It sews the same number of the same type of stitches at the same speed as the operator from which the procedures were memorised, stopping at the same points for the same length of time to allow for a change of direction. It lifts the needle, or leaves it down, as learned and it starts and ends the sewing sequence with the appropriate back tacks to secure the stitches. As the operator becomes more proficient in guiding the fabric, the speed of any portion of the cycle can be increased without affecting the rest of the program.

Three AMI chips are involved. One of these is the processor itself, which controls and oversees the complete program. It counts stitches and measures time periods and machine speeds, pulling the selected program from the memory (RAM) and employing an operating system resident on read-only memory (ROM). A second chip, an "interrupt" unit, deals with the flow of signals through the electronics circuits, while a third is a touch pad interface chip located in the *operator's control console* on the top of the machine. The touch panel with associated lights is used by the operator during the programming work.

The machine has several modes of programming and operation. In "auto learn" for example, it simply learns what the operator has done, and in "auto sew" will play it back exactly.

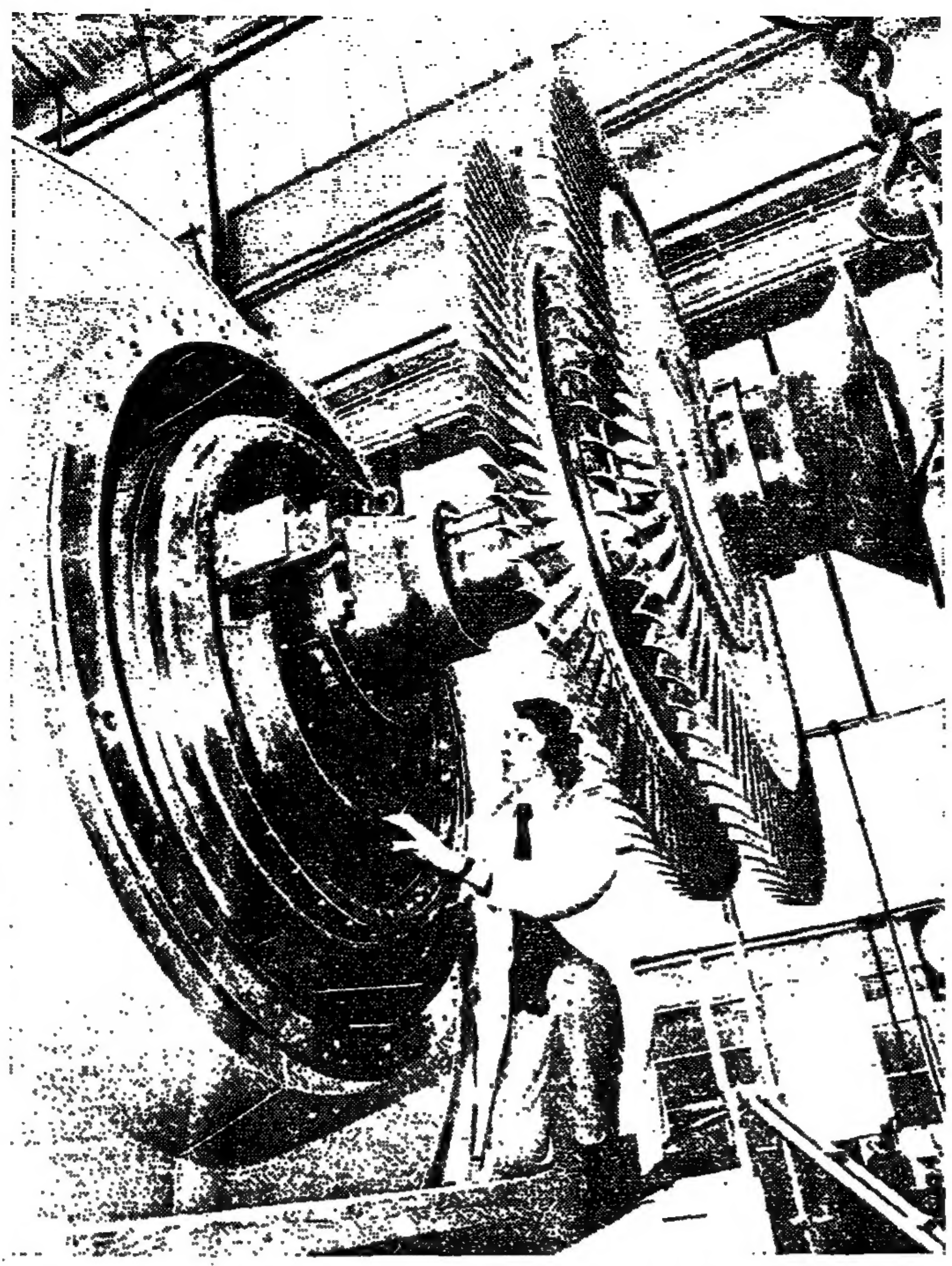
But in "control sew," although the detail played back is the same, the operator has control of the treadle, the delays, and therefore the overall machine speed.

In the "key learn" mode the machine will only learn the actions, not the times: *maximum* speed and the exact delays are pre-set. There is also a manual setting in which the unit becomes a conventional sewing machine.

Other modes take care of basic machine setting up, repair (in the event of a problem during sewing) and the possible need to abort a program for any reason.

AMI points out that although there are other sewing machines on the market offering electronically controlled operations, Centurion will be the only one to capture data, with programming for, rather than simply by the operator.

More on 0793 31345.



Rolls-Royce is to supply the main generating plant for a 140,000-kW gas turbine power station at Cowes in the Isle of Wight. Two 70,000-kW sets, each powered by four Rolls-Royce Olympus engines driving a Parsons manufactured generator, will make up the installation. One of the four two-stage power turbines that go to make a single gas turbine installation is shown here being positioned in its pedestal. The sets will be used to boost the power system during peak periods and *emergencies. Rolls-Royce says the sets will* provide full electrical output in about three minutes at the push of a button.

● INSTRUMENTS

Taped data translated

HIGH RESOLUTION satellite *scanning radiometer images of* the UK and surrounding areas—of particular interest to meteorologists and oceanographers—are being produced on a regular basis by the Electrical Engineering Department of the University of Dundee, on the SE7000A high-performance instrumentation tape recorder supplied to them by SE Labs (EMI).

Dundee started the service—still the only one provided in the UK—just two years ago. They have used the SE7000A for continuously recording data from NOAA5 (the American National *Oceanic and Atmospheric* Administration) weather satellite ever since. The project is funded by the Natural Environment Research Council and images are available to anyone who is working on an approved environmental sciences project in a UK university or research institute. Commercial concerns are charged a fee for the service.

The satellite analogue data signals are recorded on the 14-track SE7000A running at *30* ips.

More from SE Labs, Spur Road, Feltham, Middlesex, TW14 0TD. 01-890 1477.

Versatile recording

PUT ON to the market by Gulton International is an oscillographic recorder with a response up to 140 Hz and a capacity of two, four, six or eight channels.

All models have an eight-speed push-button selection chart drive, with speeds from 0.5 up to 100 mm/sec.

Writing is by thermal styli on heat sensitive rectilinear grid chart paper, and automatic heat compensation in the stylus maintains a constant trace density whatever the speed of the paper. The trace density can however, be adjusted to suit the user. Sturdy coaxial styli are standard, but long life ceramic tip units with a two year guarantee are an option.

In all there are 30 plug-in signal conditioners that can be applied to any of the eight channels: the eight units plug in across the top of the front panel. Parameters covered include voltage, current, temperature, strain, frequency conversion to DC, AC conversion to DC and many others.

More from Technirite Europe, Gulton International, Old Shoreham Road, Hove, Sussex, BN3 7EY (0273 778401).

Easy check on rust

AVAILABLE FROM Morgan Berkeley and Co. is an accurate diver-held voltmeter which is able to monitor the corrosion and cathodic protection potentials on submerged offshore structures.

Made in the form of a gun, the *unit has a digital display at the* rear which shows either cathodic protection (if the surveyed structure is so protected by a sacrificial anode or an impressed current system) or corrosion potential relative to a built-in silver/silver chloride electrode.

A hardened cone tip (which will penetrate coatings) is used to contact the structure and the reference electrode is positioned on the gun body 100 mm from the structure surface and is surrounded by a shroud which ensures a well defined and constant sensing area.

The internal electronics are driven by nickel cadmium batteries and frequently a full survey can be carried out in a single hand-held dive.

More from the company at Moorside Road, Winchester, Hampsire SO23 7SF (0962 69622).

IN BRIEF

The UK section of the International Solar Energy Society is to hold a one-day technical meeting on Wednesday, July 12. Solar thermal power generation is the theme of the discussions which will take place at the Royal Institution, 21, Albemarle Street, London, W1. Further information from UK-ISES, 19, Albemarle Street, London, W1 (01-493 6601).

● HEATING

Watches the flames

A SYSTEM for supervising continuously operating boiler burners in industry has been introduced by Landis and Gyr of North Acton, London, which claims it is the first to receive approval from the Gas Council.

Comprising a flame guard and flame detector, the system is called Detactogyr and can be used for supervising oil burners, gas burners and dual-fuel burners, and also with manually operated burners. In combustion plants where heat production must be maintained, an active redundancy circuitry can be *achieved in the event of failure* of the flame supervision controls, says the company.

Full details on 01-993 0811.

Laboratory burner

SIMPLE to operate and needing no special training, is a portable laboratory burner with its own energy source, called Labogaz.

Introduced for use through the medical field, pharmaceutical and veterinary surgery and for dental mechanics, opticians or soil analysts, there are three component parts—a chromium plated brass burner fitted with perforated stainless steel head, a jet/tap unit and a pressed steel body which houses a butane cartridge.

The burner weighs 590 grammes and measures 19 cm by 9.9 cm. With a burner off-take of 60 grammes an hour at an ambient temperature of 20 degrees C it gives approximately 3½ hours burning time from the disposable C200 cartridge.

More from Camping Gaz (GB), 126-130, St. Leonards Road, Windsor, Berkshire. Tel.: Windsor 55011/7.

● HAND TOOLS

Easier to cut to shape

TWO thermocutting tools, called ZTS 20 and ZTS 21 and made by the Welwyn Tool Company, have electrically heated blades for speedy and accurate cutting of rubber and plastic sheet, foam, foil and cloth.

The tools do not stress or cause cracks to form along the cut edges, says the company, as the heat seals the end of the fibres thus preventing fraying.

Consisting of a handle and cutting head to which may be attached a wide range of blades (hooked blades for sliding through carpet, a notched side cutter for trimming excess plastic waste from moulded or diecast parts and a pointed blade for describing intricate shapes plus extra-long blades for sheet materials up to 50mm thick), the tools are powered by a 120-V infinitely variable mains trans*former*.

There are a number of special attachments for plastic foams, including a variable loop holding device for internal shaping and hollowing out. A fretsaw attachment and bench for mounting the cutter can be supplied and this enables materials up to 80mm thick and 270mm wide to be handled.

Further from the company at Stonehills House, Welwyn Garden *City, Herts.*

● MATERIALS

A non-move surface

A HIGH relief, high build, elastic textured finish, called Monolastex, which can be applied internally or externally, with exceptional adherence to virtually any substrate, is the claim of Liquid Plastics of Preston.

It can be applied by brush or spray, says the company, a single coat giving long-life protection, hiding defects and enhancing appearance. It cures to a fine *textured finish or, alternatively,* a variety of special textures effects can result from a simple roller treatment to the applied film whilst still wet.

The manufacturer says that usual self-textured coatings tend to give a low gritty relief that chips or flakes, especially under substrate movement, but its product eliminates this possibility. It also combats the danger of blistering and subsequent rupture of the skin through moisture being trapped in the substrate—a common reason for failure of ordinary finishes.

The elasticity of this coating in five colours, mist grey, light green, light blue, magnolia and *pale lemon, as well as white*—cures to a silk screen, aging to a full matt.

Further from the company at P.O. Box 7, London Road, Preston PR1 4AJ.

● HANDLING

Dump trucks are quieter

THE FITTING of a noise suppression pack that can cut noise output by up to 10 decibels—to levels well within the toughest British and European *standards*—is a feature of Aveling-Barford's biggest-selling off-highway dump truck.

The company has developed the pack for its Centaur 50, a 50-ton capacity dump truck used extensively in opencast mining, quarrying and construction projects around the world. It meets the stringent new noise limits being set by the National Coal Board for all site equipment and, says the company, *achieved out*standing results in a series of tests under the new NCB procedure.

No additional maintenance is said to be necessary for the *noise pack* which is available in kit form and can be fitted during machine assembly or added to machines already in the field.

More from the maker at Invicta Works, Grantham (0476 67351).

Safer for operators

ONE OF the prime features of an electrically powered pedestrian controlled die handler, handling loads of up to one ton, is, says the maker, C.M.T. (Mechanical Handling) the safety of the operator.

Thus, the machine, CTS 18, has full wheel protection to prevent it being driven across the operator's feet; automatic safety reverse (eliminating the possibility of a man being trapped by his machine in a confined space); anti-finger trap protection, and guard against moving machinery on the hydraulic lift in the form of a full length transparent plastic screen.

Further from the company at 1281, Stratford Road, Hall Green, Birmingham. 021 777 9761.

THE JOBS COLUMN

How to pick the people who can do the work

BY MICHAEL DIXON

READERS acquainted with America will know there was nothing hollow about this column's early warning that use of generally stated educational gradings as criteria for job-selection is potentially illegal in the U.K. I refer to "qualifications" such as five pass grades at the Ordinary level of the General Certificate of Education, two at Advanced level, or a degree.

These can easily be shown to be held by a significantly *smaller percentage of, say, the* West Indian community than of the population at large and, very likely, by a smaller share of women than of men.

Consequently the use of such gradings as employment criteria is open to challenge as indirectly discriminatory under the equal opportunity Acts covering race and sex.

To refute the challenge, the recruiter would have to show how these criteria were relevant to the successful accomplishment of the work in question. And even I—in that filing cabinet right over there—have more than enough evidence to show they cannot be relevant.

The reason is that the difficulty of obtaining a pass grade in GCE clearly varies with subject and, although less clearly, with the Board controlling the examination. Degree awards also plainly vary in difficulty with subject and evidently with university as well. So "five O levels" and suchlike cannot signify a standard attainment of anything.

Facing a challenge a recruiter might, I suppose, argue that the criteria were relevant, not to the work, but to success in some college-supplied course of training that was relevant to the work. But a determined challenger could then surely demand to be shown how the *training course was essential to* adequate job-performance and how the criteria were relevant to the training course.

Metaphysics

In the end the recruiter might win the argument, especially if assisted by a snappy metaphysician. But there do not seem to be many of those around (for example, I can't lay my hands on anyone to explain how Epicurus and his gang decided a thing's appearance must be estranged from its essence—which is much the same sort of question).

Besides, becoming involved in such a challenge with a determined and scrupulously informed plaintiff, would surely imply litigation of a length that would set the average *lawyer* polishing his spectacles in avaricious glee.

Bewildering goings-on of this sort follow naturally from the recklessness of starting to legislate against inappropriate discrimination according to only some of human beings' many characteristics. Thereafter, less discrimination by sex inevitably leads to more discrimination by class and so on until one is morally obliged to have a separate Act and attendant bureaucracy to guard against unjustified discrimination by anything.

Should readers *still* need convincing that every employer ought to institute a radical review of selection procedure, they have only to take a look at developments in the United States, which is a bit farther along the slippery slope than the UK has slithered *so* far.

The Police Bureau of Richmond Virginia, for instance, has apparently now been forced *to concede that its staff shall* not be assessed for promotion by any direct employee of, not just the bureau itself, but the whole city corporation. As a result, $95,000 is being spent on *assembling and training around* 35 external assessors to run the cops over the promotion hurdles under the direction of an independent company called Psychological Consultants. And *thereby hangs a series of* coincidences.

Psychological Consultants' chief executive is Professor Bob Filer of the University of Richmond. And I met him last week. And he happened to have *sold* the company to the Inbucon consultancy group. And it happened to be holding meetings of senior manpower managers in its London headquarters, *to discuss systems of* selecting people for recruitment and promotion which will probably remain legal under the equal opportunity Acts.

More effective

Happily, the systems—known in the jargon as assessment centres—also promise to be more effective than traditional *methods in identifying people* who are actually capable of doing their job well. The best illustration of the principle was supplied by Inbucon's own selection boffin, Ray Jeffery, in *the following words:*

"If you want a good cricketer, you don't call for candidates' educational certificates or give them psychological tests or have them interviewed by a personnel *officer*. You *send a* skilled observer who knows the game to watch them playing cricket."

Hence the assessment-centre procedure which starts with analysis of the work involved in a *particular managerial-type* post, to determine which abilities are more or less required for success. The analysis is converted into a list of "dimensions," for example:

"*Leadership.*—*Effectiveness* is bringing a group to accomplish a task and in getting ideas accepted. Commands attention through respect and personal accomplishment.

"*Planning and organising.*—Effectiveness in planning and organising own activities and those of a group. . . ." And so on.

The next step is to design a series of managerially *lifelike* exercises during which candidates' behaviour will reveal their ability to measure up against each of the listed dimensions of the job.

Then one obtains a team of trained observers. Managers already in a company can usually be given sufficient skill in a week, I'm told.

The last step is to find some empty rooms, or book a hotel, and make the assessment centre happen. The observers watch and note the candidates' performance in the exercises over a couple of days. The observers then get together to decide who is most suitable for appointment or promotion. Where appropriate, the conclusions can be discussed with the candidate with the aim of determining each individual's needs of training.

Like virtually everything else, of course, the assessment centre system is capable of being used *stupidly*.

If, for example, the "dimensions" are drawn up so as to clone the jobs' present incumbents, instead of related to the employing concern's prospective development, the new system is likely to prove merely an extra-efficient means of hammering managerial nails into the corporate coffin.

"A business recruiting senior people needs to take account of its position in the market," said Len Brooks, Inbucon's managing director. "Say it's coming up against a period of static home demand, like the food industry is expecting. Then it ought to gear selection to whether it plans to diversify, expand overseas sales, or sit tight and reduce costs."

All the same, the new *system* offers a means to select by working ability, rather than by social acceptability to the established caste. Perhaps that is why, as Professor Filer said, President Marcos of the Philippines has down-graded his civil servants on to temporary appointments pending recruitment to permanent jobs by assessment centre *methods*.

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Information on the company and the appointment will be provided during the initial interview programme. For a personal history form contact Nigel V. Smith, A.C.A. quoting reference 2048.

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The projects you will be engaged on with this worldwide manufacturing group will encompass the entire financial spectrum, including acquisition appraisals, locum management duties, systems development and operational unit investigations. These will provide opportunities to visit such places as the Americas, Far East, Africa and Europe. Age is less important than flexibility and mobility, communicative ability and strength of personality. You will be a Qualified Accountant with several years wide industrial experience, possibly including some in consultancy. Previous overseas involvement and spoken French or Spanish would be helpful but is not essential.

Telephone: 01-836 1707 (24 hr. service) quoting ref: 0460 FT. Reed Executive Selection Limited, 55-56 St Martin's Lane, London WC2N 4EA.

The above vacancy is open to both male and female candidates.

London Birmingham Manchester Leeds

PARTNERSHIP SECRETARY

DONALDSONS, CHARTERED SURVEYORS
of 70 Jermyn Street, London SW1Y 6PE

Applications, addressed to the Senior Partner, are invited for the position of Partnership Secretary.

Candidates should have an accountancy qualification, be aged between 35 and 50, preferably have had practical experience in administration, with particular reference to Partnership Law and Employment Legislation, and be available on or before 1st September 1978. Knowledge of the surveying profession would be useful, but not essential.

Salary: In the region of £10,000 per annum initially, plus car.

Financial Controller
(DIRECTOR DESIGNATE)

London **c. £10,000 plus Car**

A Financial Controller is required for the house building division of a highly successful group. The division is growing rapidly, is effectively managed, and is implementing advanced control procedures. This appointment gives the opportunity of involvement in both financial management and the broader aspects of the business.

The successful candidate will be a qualified accountant, probably aged 28-35, with construction site experience almost certainly gained in house-building. Reporting to the Managing Director he/she will have overall responsibility for financial and management accounting and the implementation and development of computer based control systems. Success in this position will lead to a Board appointment.

The initial salary will be about £10,000. A car will be provided and other benefits include a contributory pension scheme. Candidates should apply in confidence giving personal details and an outline career history quoting Reference: FT/158/F to:—

TYLB
Turquand, Youngs & Layton-Bennett,
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Our clients are one of the established leaders in the field—a successful, vibrant private company with a young management team. The prime activity is the leasing of commercial vehicles, but other capital equipment is involved. As part of their planned programme of expansion they see the next stage of their development being the creation of a London based Finance Company utilising their expertise and market position as a springboard into the financial world.

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Please telephone John Swift, PER Manchester (061) 236 9401 EXT 66

Applications from both men and women are welcome.

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BANK DEPARTMENT

Hoare Govett Ltd. have a vacancy in the Bank Advice Section of their Private Client Department for an experienced Investment Adviser. He or she should ideally have had a minimum of three years' experience in a similar position and be more than 25 years of age.

Salary would be commensurate with age and experience.

Applications, which will be treated in strict confidence, should be addressed to:
The Secretariat,
Hoare Govett Ltd.,
Atlas House,
1, King Street,
London EC2V 8DU.

Financial Controller

Surrey **up to £10,000**

For an international manufacturing company, a market leader in its own field, with turnover exceeding £500m. A young Management Accountant is needed in a new post to assist in the rapid growth of a European division.

You will apply your creative financial skills to:
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- ★ capital project appraisal
- ★ cost analysis
- ★ long range planning

liaising with Data Processing and Financial Management throughout Europe and the UK.

The company will use your ability to the full, offering rapid promotion and exceptional career development.

Aged 28-35 you will be a qualified Management Accountant or MBA with a finance specialism, and must have experience of computerised financial systems in a large industrial concern. Business French would be a great advantage.

If you want to realise your potential in a dynamic business environment please **Contact: Barbara Bailey, London (01) 235 7030. Ext. 210.**

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OIL BANKER **£7,000–£10,000+**

Our client is a major international bank, long established in London. The bank is currently expanding its energy financing services, creating a career opportunity for a candidate satisfying all or most of the following criteria:—

1. Aged between 27 and 35;
2. Holding a degree in either Economics or Business Administration;
3. Having several years' international banking experience, which should include a sound credit background and experience in the marketing of bank services to both existing and potential clients;
4. Possessing in-depth knowledge of oil and related industries; and
5. preferably having both written and oral fluency in at least one European language.

The salary bracket indicated will not be a constraint in the case of a particularly experienced candidate, as there is considerable scope for flexibility in making this appointment.

CONTACT: Sophie Clegg, or Kenneth Anderson

PENSIONS/BENEFITS ADMINISTRATION **£ Negotiable**

This vacancy occurs within the Personnel Department of a leading merchant bank (Member of the Accepting Houses Committee). The bank wishes to engage a person who has substantial experience to offer in the field of Fringe Benefit Administration, and who, in particular, can show a creative approach to the tailoring of individual pensions while working in conjunction with professional advisers. The successful candidate will work within a professional personnel team and will receive a generous salary commensurate with experience.

CONTACT: David Grove, or Kenneth Anderson

170 Bishopsgate London EC2M 4LX · 01-623 1266/7/8/9

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The Cork Savings Bank, established in 1817, provides a wide range of banking services from its Head Office in Lapp's Quay and eight branches in Cork City and County, and now has funds in excess of £60 million.

The Board of Management wishes to appoint a successor to the General Manager who is due to retire shortly. This position of Chief Executive of the Bank is of major significance, responsible to the Board for the management of the Bank's operations and services.

The successful candidate must be capable of continuing the development of the Bank's growth and of expanding its services in line with the widening possibilities created by membership of the European Economic Community. The position demands wide administrative experience and a successful record of achievement in general management.

An attractive salary will be negotiated in line with the importance of the position and fringe benefits include non-contributory pension and car. Relocation expenses will be paid.

Please write, in strict confidence, giving brief details of career to date and quoting Reference No. 1595/O to E. Johnson at Harcourt House, Harcourt Street, Dublin 2.

Stokes Kennedy Crowley

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Financial Controller

HOTELS GROUP—MIDDLE EAST

High negotiable salary tax free

Our Client is a well established company in the Middle East now diversifying into Hotels and their Management. Two will be completed next year, three more are already planned and others will follow.

The Financial Controller will

- **act for the Client and be fully responsible for accounts and reporting for hotels under construction**
- **provide feasibility studies on further expansion**
- **establish sound accounting and control systems**
- **help to maximise profits from hotels which are operational.**

This appointment offers the right man a first rate opportunity to enter an expanding Hotel operation at its inception.

Applicants should be fully qualified Accountants with a minimum of three years experience at senior level in the Hotel Industry. Experience in property development and of operations in the Middle East or other developing countries would be added advantages. Age under 45.

A high salary, tax free in the Middle East will be negotiated. Furnished married status accommodation, servant, car and all running expenses will be provided free. Home leave entitlement and air fares include family. Suitable Schools are available for up to 9 year olds. Medical care is free and hospitals are modern and of high standard.

Please write stating age, current salary and how you meet our Client's requirements, quoting FCH/3942/FT on both envelope and letter. No information will be disclosed to our Client without your permission.

Urwick, Orr & Partners Limited *Baylis House, Stoke Poges Lane Slough SL1 3PF, England*

Financial Controller

West Midlands c. £8,000 + car

Our client, a well known British medium engineering group with a turnover of £20m, requires an experienced Financial Controller to supervise the operations of its four foundries. As a key member of the team, the person appointed would be directly accountable to the Group Chief Accountant for maintaining and improving the management and financial control functions within the four units. Candidates must be qualified accountants, preferably with a good working knowledge of French and previous experience of the foundry industry.

The salary will be negotiable c. £8,000, a company car will be provided and there are excellent terms and conditions of employment. Assistance will be given with relocation expenses where applicable.

(Ref: B9540/FT)

REPLIES will be forwarded direct, unopened and in confidence to the client unless addressed to our Security Manager listing companies to which they may not be sent. They should include comprehensive career details, not refer to previous correspondence with PA and quote the reference on the envelope.

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Appointment 1 year. Salary (UK taxable) £8,500-£10,500 pa plus overseas tax free allowance £2,010-£4,220 pa (Ref 328X).

The post is wholly financed by the British Government under Britain's programme of aid to the developing countries. In addition to basic salary and overseas allowances other benefits normally include paid leave, free family passages, children's education allowances and holiday visits, free accommodation and medical attention. Applicants should be citizens of the United Kingdom.

For full details and application form please apply, quoting reference stating post concerned, and giving details of age, qualifications and experience to:—

Appointments Officer,
MINISTRY OF OVERSEAS DEVELOPMENT,
Room 301, Eland House,
Stag Place, London SW1E 5DH.

ODM **HELPING NATIONS HELP THEMSELVES**

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In the first instance the successful applicant will join the bank's highly-regarded Investment Research Department. He or she will progress within a short space of time to join a new unit being *created within the bank to give strategic economic and financial* advice to corporate clients. This advice will be tailored to the specific requirements of the client and will be supplied on a confidential basis. For the right candidate the prospects for promotion are excellent.

Candidates should be aged between 27 and 30, have a good first degree and, ideally, an M.B.A. or other numerate post-graduate degree. They should, in addition, have had at least 2-3 years' experience in industry or commerce, perhaps within a corporate planning or treasury department. Familiarity with the use of computers would be an advantage.

Salary is negotiable according to experience but will not be less than £8,000 p.a. Benefits include a non-contributory pension and life assurance scheme, 4 weeks' annual holiday, free luncheon facilities and a house mortgage subsidy scheme.

Please reply with full c.v. to the Security Manager, quoting reference 1474.

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London **From £7000 + Car**

This is a career appointment at the Central London Headquarters of a major British Engineering Group.

Planned expansion dictates the recruitment of an additional qualified accountant, ideally with at least two years post qualification experience and a sound corporate tax background, to augment their existing team.

Duties will include the calculation of tax provisions and the preparation and agreement of computations for a Group of U.K. subsidiaries as well as involvement in varied tax planning exercises.

In addition to salary, the generous benefits which will include re-location assistance, where appropriate, are those associated with a forward looking major group.

Applications in confidence should be made to the Group's Advisor I.M.G. O'Hare, 124 New Bond Street, London W.1 Tel: 01-409 1371

MANN MANAGEMENT

CONSULTANT

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Our client, *a major international bank with assets currently in excess of* £15 billion, is looking for an experienced man or woman to join its Foreign Exchange Advisory Service as a consultant, to help with the growing demand for the service from companies in the UK and Scandinavia.

This London-based group provides specialist advice for international companies on every aspect of foreign exchange hedging policy, international money management, and corporate structure for exposure management.

A sound knowledge of each of these areas should be backed by a degree or *equivalent finance qualification, and at least three years' relevant experience.* In addition, you should be prepared to accept a high degree of responsibility for client relations.

An excellent salary, appropriate for this demanding post, will be supported by a wide range of benefits including low cost mortgage assistance, non-contributory pension scheme, free lunches, B.U.P.A. and profit sharing.

If you think you meet the requirements, please write in the first instance with full details to Mark Webster at the address below, quoting reference CFE/254/FT. *List separately any companies to which your application should not be forwarded.* All replies will be answered.

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Bursar, Royal College of Music,
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Decision before mid-July.

APPOINTMENTS WANTED

AUDIT/OPERATIONS
German, Banker, 37

looking for challenging position in audit (bank or industry) or operations/administration (bank). Considerable incl. experience, familiar with U.S. accounting/audit systems. Languages: English, Spanish, some French. Relocation and travel no problem.

Write Box A.6369, Financial Times, 10, Cannon Street, EC4P 4BY.

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Age 37. Surrey based. 15 years' industrial experience allied to a real feel for consumer goods marketing seeks position of responsibility. For c.v. write Box *A.6368, Financial Times, 10, Cannon Street, EC4P 4BY.*

Chief Accountant

Car Accessories

Staines, Middlesex

£7,000-£8,000 p.a. plus car

Gordon Spice Group is a rapidly expanding organisation providing car accessories for both home and overseas trade markets. It is now seeking a Chief Accountant to assume complete responsibility to the Financial Director for all aspects of financial accounting, management information systems, budgets and forecasts.

This position will appeal to an accountant, aged 28-35, who, *having obtained* at least 2-3 years post qualification experience in a commercial or industrial environment with a well disciplined management reporting system, is now seeking a more independent role in an entrepreneurial atmosphere. An interest in the nature of the business would increase the job satisfaction of the appointed applicant who will be appropriately rewarded for his/her early contribution to the Group's development.

Remuneration is negotiable in the range indicated above. In addition, the position offers insurance cover and a car.

Please write with adequate particulars to Diana Ashman, Personnel Services Division of—

Spicer and Pegler & Co.,
Management Consultants,
3 Bevis Marks,
London EC3A 7HL.

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Our Management Information Service is expanding in Europe. We are looking for qualified personnel for the following positions:

Organization & Methods Analyst

2-3 years experience, Forms Design, Data Flow, and Departmental organisation.

Analysts/Programmers

3 year minimum experience, IBM System /3, RPG II, CCP and Sstotal Data Base experience advantageous.

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2-3 years experience, IBM System /3, RPG II.

Positions based near Frankfurt/Main, must be willing to travel 30 per cent throughout Europe.

Send resume and qualifications in confidence to:

Personal Manager
Levi Strauss GMBH
Postbox 1260
D-6056 Heusenstamm, West Germany

Internal Audit Manager

Europe

Hertz, Europe's leading car rental company requires a qualified Accountant to head their corporate audit function based at Marble Arch. The audit team of some 11 professionals covers Europe, Africa and the Middle East.

Reporting to the Vice President Finance, through the Director of Auditing in New York, the job entails monitoring the application of Hertz policies and *procedures by local management*, co-ordinating external auditors and recommending improvements in both operations and financial reporting.

You will probably be in your mid thirties, with experience in operational auditing and preferably the planning and control of audit coverage. You should possess well developed *management* and communication skills. Travel in Europe will amount to 30% of your time including visits to the USA.

We are offering the successful man or woman a highly competitive salary and excellent benefits package including a generous car leasing scheme.

Please apply to Ms Wanda Skinner, Hertz Europe Limited, Isleworth House, Great West Road, Isleworth, Middlesex.

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Chief Engineer

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The appointment demands a good honours degree in Mechanical Engineering, many years previous experience of continuous petrochemical process plants and some direct experience of industrial relations. The person selected will already be a trained professional. Career prospects are first class.

Salary will be negotiable but is unlikely to be less than £10,000 plus a car and there can be other substantial benefits. Any major relocation costs will be paid in full. Please write briefly to the Group Personnel Manager,

Box A.6367, Financial Times,
10, Cannon Street, EC4P 4BY.

All replies will be acknowledged and treated in the strictest confidence.

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Must have a minimum of five years related work experience in planning and scheduling using critical path analysis. Must have a thorough knowledge of network based scheduling systems and be familiar with data processing and scheduling software packaging.

Urgently required to work on Telecommunications Project in Iran. High tax free salary + accommodation.

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The White House, Lodge Road, London NW4
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A major role within a public company with a world wide reputation for technical excellence whose products are extensively used at home and abroad. Responsibility will be to achieve profitable results by the effective use of resources with particular emphasis on improved productivity through mechanisation. Applicants with appropriate qualifications will be able to demonstrate a record of successful general management in mass produced engineering products. The management skills necessary to lead an established plant through a major period of change are paramount as is the ability to achieve objectives through a management team. Remuneration will include car, profit sharing bonus and success will lead to an early Board appointment with further scope for personal development.

J.C. Brown, Ref: 31350/FT.

Male or female candidates should send a written C.V. in confidence or telephone for a Personal History Form to:

LEEDS: 0532-448661, *Minerva House, 29 East Parade, LS1 5RX.*

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Chief Accountant — West Africa

- Subsidiary of major U.S. rubber manufacturer
- Responsibility is for both the operating record and investment in community facilities
- This is a family posting for a qualified accountant in his early 30's and with recent industrial experience
- Company car, company school up to 11, free house, free utilities, facilities include golf course, swimming pool and hospital. 2-year renewable contract: U.K. leave.
- Remuneration is from £12,000 p.a. and there is also a provident plan

If you are interested, please send a brief resumé, quoting Ref. 7200 to John Nicholson, Astral Recruitment Associates, Astral House, 17/19 Maddox Street, London W1R 0EY. Telephone 01-629 2357

Just retired? — Early Redundancy?

Small shipowning company in Fenchurch Street seeks Company Secretary/Chief Accountant. This need not be a full-time position but would be interesting for a CA who has broad experience. Salary c. £8,000 + car. Please write to M. C. Baker, Cardigan Shipping Co. Ltd., 130 Fenchurch Street, London E.C.3.

SENIOR AUDITOR

£10,400 p.a. TAX FREE with Free Accommodation and Gratuity.

Whether or not you are qualified please hear about this 3 year bachelor status contract overseas. Maximum age 45.

01-409 0427—DON'T SPEAK JUST LISTEN

Investment Analysts

As a result of increased demand for our Investment Management services we wish to expand our investment research department.

We are seeking two experienced investment analysts whose responsibilities will include:

- ☐ identifying potential investment opportunities in the U.K.,
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A competitive remuneration package will be offered.

Applications with curriculum vitae and details of present salary should be forwarded to:

D. Woodward,
Personnel Manager,
County Bank Limited,
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Our client is one of the main national brewers in the UK with diversified subsidiary interests and expanding overseas markets. Due to re-organisation and internal promotion vacancies have arisen in various areas of the Head Office finance function for qualified accountants with experience of large professional firms and/or industrial groups. These career opportunities will include exposure to computer based records, sophisticated management/financial reporting procedures and the review and interpretation of the performance of operating companies. Candidates will also be expected to act in an advisory capacity to subsidiary company management and to travel occasionally within the UK. Promotion prospects within the group are excellent.

Applications to Miss Marion Williams

Reginald Welsh & Partners Limited.
Accountancy & Executive Recruitment Consultants
123/4 Newgate Street, London EC1A 7AA Tel: 01-600 8387

ARABIC SPEAKING CREDIT AND MARKETING OFFICER MIDDLE EAST

We are International Executive Search Consultants with offices in London and have been retained by an important Middle Eastern Financial Institution to identify an Arabic speaking Credit and Marketing Officer. The successful candidate will report to a Credit and Marketing Team Leader and will be responsible for handling an assigned Loan Portfolio and for establishing marketing objectives and programmes.

Candidates should have a University degree plus credit training and at least two years practical experience with a major international bank. A basic knowledge of corporate finance and an understanding of the legal complexities of major lending activities would be important additional advantages. Candidates should be fluent in English and Arabic, familiar with Middle East banking and be able to work easily with a wide range of nationals and adapt to living and working in the Middle East.

As our client is anxious to attract an individual of outstanding character and competence, the salary will be commensurate with his experience and the required skills. In addition there will be a generous range of fringe benefits.

Please reply in strictest confidence to:—

Box A.6370,
Financial Times, 10, Cannon Street, EC4P 4BY.

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OVER £6,000
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Financial Director

For a major manufacturing company in the Midlands with turnover exceeding £20 million and considerable potential at home and overseas. The Company forms part of a highly successful British owned International Group.

Responsible to the Chief Executive, the position requires a personality capable of directing the financial affairs of the Company, making an impact on its existing profits, and contributing to the management of the business. The emphasis short term will be on improving management and cost control.

The requirement is for a qualified accountant with broad financial experience, particularly in disciplined management control systems. Preference would be given to candidates who have operated in a multi product light engineering environment.

Salary would not be less than £11,000 with an attractive benefits package including a Rover car and generous relocation expenses. There are opportunities for further career development. *Reference 1475*

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require an Institutional Salesman/Saleswoman to join an expanding section specialising in:—

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Previous experience and technical knowledge an advantage but not essential. Attractive salary and good prospects. Candidates should *preferably be under 35 years of age.*

Applications will be treated in the strictest confidence. Apply in writing to:—
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International financial organization requires experienced financial writer, to write comprehensive economic analyses, in reportorial style, on the various principal industrial countries, on a per article basis.

The organisation will provide the research material required to write the articles, to be written about various countries, as designated, bi-monthly, the articles to be written about a single country, in each case.

The successful applicant will have a background in international financial reporting. The fee for writing each article, of approximately two thousand words, is £100.

Please reply, sending resumé and examples of work to:

D. S. Lowery,
P.O. Box 9533, Nassau, Bahamas

FINANCIAL DIRECTOR FOR INTERNATIONAL DIVISION LONDON BASED FIVE FIGURE SALARY + CAR

Elscint is an international company in the medical diagnostic field with sales in 5 continents, through 7 fully owned subsidiaries in UK, USA, Germany, Belgium, Holland, Italy, Brazil and representatives in almost all major countries.

We are looking for a young probably 30 to 40 years of age, financial director for our international marketing and service division headquarters (independent profit centre) in London. Financial director should take a complete responsibility for all financial matters of the division, including all the finances, cash flow, financial reporting, budget control, auditing of the subsidiaries. Since he/she will contribute significantly to the general management of the international division and the corporate, he/she must have a formal education in accounting (CPA) and preferably also a degree in finance and business administration.

The successful candidate should be able to demonstrate a proven record of achievement in financial control and auditing preferably, in an international environment. He should be an ambitious type with ingenuity in finance. The salary which is negotiable will be of interest to those earning £12,000 or more.

Applications which will be treated in strictest confidence should be sent together with detailed curriculum vitae to Box A.6371, Financial Times, 10, Cannon Street, EC4P 4BY.

PARTNER — SEARCH + SELECTION

Successful one man consultancy seeks similar person to jointly expand growing City Blue-chip and general business.

Write Box A.6366.
Financial Times, 10, Cannon Street, EC4P 4BY.

FIRST-CLASS OPPORTUNITIES

available to qualified students and experienced accounting personnel

Contact Alec Moore on 01-628 2691

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£13,250 + tax free

Gulf trading company seeks two Auditors. One to understand or ideally speak Arabic.

GEORGE CALLABY ASSOCIATES
International Selection Consultants,
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CITY

Medium sized/stockbroking firm with established and internationally recognised capability in several specialist areas has VACANCIES for

OIL ANALYST

who experience has been mainly concerned with the oil and energy related industries. He will work in a team which will b covering these fields on an international basis. A highly satisfactory remuneration package will be available to the successful candidate.

also

EQUITY SALESMAN

who should be a senior ambitious institutional salesman to work on our equity desk. The successful applicant would expect to share fully in the fruits of his success and to earn a substantial five figure sum.

Applications for either post, in strict confidence to:—
BOX FT/528 c/o Hanway House, Clark's Place, Bishopsgate, London EC2N 4BJ.

LEGAL APPOINTMENTS

C.A.C.I.

LEGAL COUNSEL for Multi-National Company

Circa £10,000-£14,000

Rapidly growing multi-national corporation with offices in London, Amsterdam, Hamburg and Dublin seeks an experienced self-starting Lawyer to serve as its European counsel. The position will be located either in London or Dublin, but travel will be required. The ideal candidate will enjoy working in a professional environment where his or her contribution will have a substantial and noticeable impact and will be knowledgeable and experienced in each of the following areas of practice:

- **Business and employment contracts in a multi-country context**
- **Banking relations**
- **Labour laws**
- **Company law**

Since the successful candidate will work closely with both the operating departments and the Corporate Tax Counsel, the position gives the opportunity to gain further familiarity with European and United States tax laws.

The Company operates in a multi-language environment, therefore, foreign language capabilities would be helpful.

Interviews will be held in Europe in June and July.

Address replies, including salary history, to:—

Dr. William W. Fain, President,
CACI, Inc.
1815, North Fort Myer Drive, Arlington, Virginia 22209, USA.

Company Secretary & Legal Adviser

A well-established international group in the surface coatings industry requires a qualified lawyer capable of succeeding to the position of Company Secretary in approximately two years. The appointment will be at the Group's head office in Central London. The Group has annual turnover exceeding £90m. from manufacturing operations in 20 different territories.

Applicants of either sex should be in the age range 40-50. Experience in the secretarial function is desirable but not essential.

The successful applicant will in due course be responsible for -

- The normal duties of a company secretary
- All property, insurance and pension fund matters
- Legal advice to all divisions of the group
- Participation in commercial negotiations

Please write in confidence with full personal and career details to: A. K. POSITION NO. AKC6784, Austin Knight Limited, London W1A 1DS.

Applications are forwarded to the clients concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

AK ADVERTISING

COMPANY NOTICES

GERMAN GOVERNMENT INTERNATIONAL 5½ Per Cent Loan, 1930

STERLING BONDS

Further to the notice of redemption concerning the above bonds which was published on 27th April 1978 the Governor and Company of the Bank of England announce that the Conversion Bonds which have been selected by lot for redemption on 1st June 1978 and Coupon No. 51, in respect of six *months' interest due on 1st June 1978 are payable at the following rates:—*

Nominal amount of Bond	Actual amount at which Bond is payable	Actual amount at which Coupon No. 51 is payable
£100	£405.60	£5.13
£500	£2,028.25	£45.64
£1,000	£4,056.52	£91.27

The above values for the Bonds and Coupons have been established by the Bundesschuldenverwaltung, with reference to paragraph (C) of Article 13 of the London Agreement on German External Debts dated 27th February 1953 and Article 2 of Annex 1 thereto, by recalculating the sterling amounts due to bondholders on the basis of the middle rate of exchange for sterling against the Belgian Franc ruling for cable transfers in Brussels on 1st June 1978.

The Trustee has advised the Bank of England that it is unable to agree with the view of the Bundesschuldenverwaltung that for the purposes of the exchange guarantee, the Belgian Franc is the currency of issue which, on 1st June 1978, has depreciated the least since 1st August 1952. The rights *of bondholders to any additional amounts which may become payable have* therefore been reserved by the Trustee, irrespective of whether Bonds drawn for redemption and Coupons due 1st June 1978 are presented for payment or not.

In view of the possible adjustment which may be made at a later date, Collecting Agents should retain details of the holders of Conversion Bonds lodged for redemption and of the holders of Conversion Bonds on whose behalf *coupons are lodged.*

BANK OF ENGLAND

1st June 1978.

IRELAND 9¼% 1975/1982 UA 25,000,000

On May 16, 1978, Bonds for the amount of UA 3,125,000 have been *drawn for redemption in the presence of a Notary Public.*

The Bonds will be reimbursed coupon No. 4 and following attached on and after July 7, 1978.

The numbers of the drawn Bonds are as follows:
19,722 to 22,846 incl.

Amount outstanding: UA 21,875,000.

Luxembourg, May 31, 1978.

THE FISCAL AGENT
KREDIETBANK
S. A. Luxembourgeoise

GENERAL MINING AND FINANCE CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

NOTICE TO MEMBERS
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventy-eighth annual general meeting of the members of General Mining and Finance Corporation Limited will be held in the board room 6 Hollard Street, Johannesburg, on Thursday 22 June 1978 at 0900 *hours for the* following purposes:

1. To receive and consider the annual financial statements for the year ended 31 December 1977.
2. *To elect directors in accordance* with the provisions of the company's articles of association.
3. To determine the remuneration of the auditors for the year ended 31 December 1977.
4. Special business.
   To consider and, if deemed fit, to pass with or without modification the following resolution as a special resolution:
   "Resolved that the articles of association as submitted to the meeting and initialled by the chairman for purposes of identification, be and are hereby approved and adopted as the *articles of association of the* company in substitution for and to the exclusion of the existing articles of association."

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and speak and on a poll to vote in his stead. Such proxy need not be a member of the company. Instruments appointing a proxy must be deposited at the registered office of the company in Johannesburg or the London office at least forty-eight hours before the time of the meeting.

Holders of share warrants to bearer who wish to attend or be represented *at the meeting may obtain information* regarding the formalities to be complied with on application to the London office of the company.

For the purpose of the meeting *the registers of members of the company* will be closed from 16 June 1978 to 22 June 1978 both days inclusive.

By Order of the Board.
R. A. WILSON, Secretary.

Registered Office:
General Mining Building,
6 Hollard Street
Johannesburg 2001.

London Office:
Princes House,
95 Gresham Street,
London EC2V 7EN.

30 May 1978.

EUROPEAN COAL AND STEEL COMMUNITY

$U.S.50,000,000
8.75% BONDS DUE
JULY 1, 1982

The Commission of the European Communities informs herewith the bearers of bonds that a selection by lot for redemption of a principal amount of US$2,000,000.— has been made in the presence of a Notary Public on May 18, 1978, at the Banque de Paris et des Pays-Bas Pour Le Grand-Duche de Luxembourg—Luxembourg.

Numbers of bonds selected by lot:
6375/430-6431/10374

Numbers of bonds selected by lot of 1.7.76: 23135

1.7.77: 6431-6438-6546-6700-8283/8288-8291-9293/222-8369-8371-8375 78-

Principal amount unamortized after July, 1978: $US44,000,000—

From 1 July, 1978, the bonds selected by lot will no longer bear interest.

The bonds presented for reimbursement should be accompanied by coupons of 1 July, 1979, and following and will be payable in accordance with the terms and conditions *shown on the bonds.*

L'Agent Financier
BANQUE DE PARIS ET DES PAYS-BAS POUR LE GRAND-DUCHE DE LUXEMBOURG

1 June, 1978

TRANSVAAL CONSOLIDATED LAND AND EXPLORATION COMPANY LIMITED

(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

PAYMENT OF COUPON NO. 76

With reference to the company's interim report and dividend notice advertised in the Press of 12th May, 1978, the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of this dividend, payment from the offices of the Secretaries of the Company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 30th May, 1978.

Payment will be made against coupon No. 76 on or after 5th July, 1978 in U.K. currency at the London Bearer Reception Office, Charter Consolidated Limited, 40, Holborn Viaduct, London EC1P 1AJ, or in French currency at Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. *United Kingdom* income tax will also be deducted from coupons presented for payment at the London Bearer Reception Office unless coupons are accompanied by Inland Revenue declarations. Where such deductions are made the net *amount of the* dividend is as follows:—

	South African Currency Per Share Cents	U.K. Currency Equivalent Per Share Pence
Amount of dividend declared	25	22.08383
Less: South African non-resident Shareholders' tax at 15%	5.25	3.31257
	20.75	18.77126
Less: U.K. income tax at 19%		4.19593
		14.57533

Secretaries of the Company in the United Kingdom:
Charter Consolidated Limited,
40, Holborn Viaduct,
London EC1P 1AJ
30th May 1978

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state:—
Under the double taxation agreement between the United Kingdom and the Republic of South Africa the South African non-resident shareholders tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 19%, instead of at the basic rate of 34%, represents an allowance of credit at the rate of 15%.

B.A.T. INDUSTRIES LIMITED

NOTICE TO HOLDERS OF BRITISH-AMERICAN TOBACCO COMPANY LIMITED BEARER WARRANTS

The Scheme of Arrangement under Section 206 of the Companies Act 1948 *involving the merger of British-American* Tobacco Company Limited with Tobacco Securities Trust Company Limited to form B.A.T. Industries Limited became effective on 23rd July 1976 following approval by the Stockholders of both Companies and the sanction of the High Court of Justice.

In accordance with the terms of the Scheme of Arrangement the Ordinary Stock of British-American Tobacco Company Limited was cancelled and former Stockholders received 12 Ordinary Shares of 25p each and 1 Deferred Ordinary Share of 25p fully paid of B.A.T. Industries Limited for every £2.50 of Ordinary Stock of British-American Tobacco Company Limited formerly held. Shares of B.A.T. Industries were issued in registered and not in bearer form.

Holders of B.A.T. Co. Ltd. Bearer Warrants who have not yet, in accordance with the terms of the Scheme, surrendered their Warrants together with Talon No. 5 and Coupon Nos. 278-283 inclusive attached, to Morgan Guaranty Trust Company of New York, Coupon Department, 33 Lombard Street, London, EC3P 3BH, should do so immediately in order that the appropriate number of Ordinary and Deferred Ordinary Shares of B.A.T. Industries Limited may be allotted to them. Fractions arising on allotment will be aggregated and sold in the market and the net proceeds distributed rateably in proportion to entitlements.

The right to allotment of B.A.T. Industries Limited shares under the procedure set out above will terminate on 23rd July 1978 and will be replaced by a right to receive a cash payment in accordance with the provisions of the Scheme of Arrangement. Meanwhile the Warrants confer no further right on the *holders and cannot be traded on the* Stock Exchange.

By Order of the Board.
F. G. BAKER, Secretary.

Westminster House
7 Millbank
London SW1P 3JE.
1st June 1978

DE BEERS CONSOLIDATED MINES LIMITED

(Incorporated in the Republic of South Africa)

NOTICE OF DIVIDENDS DECLARED ON PREFERENCE SHARES

Declaration of Dividend No. 136 on the 40 per cent Cumulative Preference Shares *of R5.00 each*

Dividend No. 132 of One Rand (R1.00) per share in respect of the six months ending 30th June 1978 has been declared payable to the holders of the 40 per cent preference shares registered in the books of the Company at the close of business on 30th June, 1978, and to persons presenting coupon No. 178 detached from the preference share warrants to bearer. A notice regarding payment of dividends on coupon No. 178 detached from share warrants to bearer will be published in the press by the London Secretaries of the Company on or about 23rd June, 1978.

Declaration of Dividend No. 6 on the 8 per cent Cumulative Second Preference Shares of R1.00 each

Dividend No. 6 of 4 cents per share in respect of the six months ending 30th June, 1978, has been declared payable to the holders of the 8 per cent. cumulative second preference shares registered in the books of the Company at the close of business on 30th June 1978.

For the purpose of these dividends the preference share transfer registers and registers of members will be closed from 1st July, 1978 to 14th July, 1978 both days inclusive and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 3rd August 1978. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 25th July, 1978, of the rand value of their dividends (less appropriate taxes). Any such shareholder may, however, elect to be paid in South African currency provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 30th June, 1978.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the *head office and London office of the Com*pany and also at the Company's transfer offices in Johannesburg and the United Kingdom.

By Order of the Board,
F. M. HODGSON
Group Secretary.

Head Office:
36, Stockdale Street,
Kimberley 8301,
South Africa.
London Office:
40, Holborn Viaduct,
EC1P 1AJ

Office of the United Kingdom Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box No. 102
Charter House, Park Street,
Ashford, Kent. TN24 8EQ
30th May, 1978.

INTERNATIONAL PACIFIC SECURITIES TRUST

Certificates for units in the trust were posted to shareholders of International Pacific Securities *Company Limited on* 29th May, 1978.

On the basis of the net asset value at 26th May, 1978 the dealing prices per unit on that date would have been Dlr 10.93 Dlr 11.57 offered.

The first dealing day is 30th June, 1978.

CLUBS

EVE, 189, Regent St. 734 0557. A la Carte or All-in Menu. Three Spectacular *Floor Shows 10.45, 12.45 and 1.45 and* music of Johnny Hawkesworth & Friends.

GARGOYLE, 69 Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW THE GREAT BRITISH STRIP Show at Midnight at 1 a.m. *Mon.-Fri. Closed Saturdays.* 01-437 6455

MICHELLE'S Cabaret Club, superb food, 6, Ormond Yard, S.W.1. 930 2842.3. Dancing partners.

NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH—BY PETER RIDDELL AND MICHAEL BLANDEN

Bleak outlook for UK economy in 1979

A GLOOMY outlook for the UK economy in 1979 after a brief recovery in demand and output this year is predicted by the National Institute of Economic and Social Research in its latest quarterly review, published to-day.

The balance of payments constraint upon re-expansion was not confined to Britain, though with floating exchange rates it was more difficult than it used to be for countries to reflate unilaterally because of fears about the impact of depreciation.

There was a need for a co-ordinated programme by all the major countries, with the onus of adjustment on the surplus economies.

However, in any move there might be to collective reflation, the UK contribution will have to be judged in the light of the likely rapid expansion in real consumers' expenditure this year, and in the light of the UK's apparently chronic high demand elasticity for imports and the low elasticity of world demand for UK exports.

The institute warns that without a further fiscal stimulus, consumer demand will virtually cease to rise next year, private investment is likely to slow down and public spending will continue to grow only slowly.

There was likely to be a slow increase both in unemployment and in the rate of consumer price inflation.

The appraisal section of the review, however, underlines the strong external constraints on a further stimulus.

It notes that "in the longer run, the policy problems remain those of pay inflation and renewed stagnation of output in the face of a still precarious balance of payments improvement.

"The slackening of demand which we foresee in 1979 would seem to call for further stimulus later this year, but any such stimulus would reverse the current balance surplus, with the risk of driving down the exchange rate further and exacerbating the rise in inflation.

"This means that even in a programme of collective world reflation, the UK could not go much further than it has done already without a significant effective devaluation; otherwise our trade balance (which is already, aside from oil, in chronic deficit) could well deteriorate further."

The review discusses the experience under a regime of floating rates. It was by no means clear whether the implicit accommodation of differential inflation rates by a regime of floating exchange rates had exacerbated the general problem of inflation.

Nor was it obvious that the positive hopes for the floating rate system had been realised.

While noting the complications imposed by the 1973-74 commodity price explosion, the review says it would be hard to maintain that greater exchange rate flexibility and the supposed greater scope for fiscal and monetary policy have helped the industrial world to maximise employment and minimise inflation.

"While domestic inflation rates vary as widely as they still do, a high degree of flexibility of parities is inevitable.

"But the experience of floating is beginning to call for careful reappraisal, against the hoped-for day when differences in rates of domestic cost *inflation become a good deal* narrower than they now are."

To ensure that the rate of price inflation continues to slow down, the increase in average earnings during the next pay round should be no more than half the 12 per cent rise assumed in the forecasts.

SUMMARY OF THE FORECAST
(March Projections in brackets)

	Real Gross Domestic Product (per cent change, year/year)	Real personal disposable income (per cent change, year/year)	Unemployment (fourth quarter, million)	Money supply (per cent change in sterling M3, fiscal years)	Consumer prices (per cent change, year/year)	Current account balance (year, £bn)	Public sector borrowing requirement (fiscal year, £bn)
1977	0.8 (−0.1)	−1.3 (−2.0)	1.4 (1.4)	15.0 (13.0)	14.3 (14.5)	— (0.1)	5.7 (6.7)
1978	2.5 (2.7)	5.4 (4.3)	1.4 (1.4)	12.0 (16.3)	9.4 (8.5)	0.3 (1.3)	8.3 (9.4)
1979	1.8 (2.5)	1.1 (2.7)	1.5 (1.5)	11.0 (14.5)	11.4 (9.8)	1.0 (1.3)	9.0 (9.9)

Current account surplus of £300m predicted

THE SURPLUS on the current account of the balance of payments is expected by the institute to be much smaller this year than previously projected by itself and other forecasters.

A current account surplus of £300m in 1978 is forecast, with a steady improvement after the large first quarter deficit, compared with the £1.3bn. surplus projected in the review at the beginning of March.

This is the main change in the institute's forecasts in the last three months: the broad pattern is still of a brief and mild recovery this year, which will tail off by the start of next year.

The forecast is based on the assumption of unchanged fiscal policies, which now assumes a change in income tax allowances in the spring 1979 Budget in line with the rate of price inflation.

The estimates also assume a 15 per cent rise in earnings in the current pay round to July, with a 12 per cent increase probable in the 12 months from this summer.

The institute belives that the *general economic climate should* be relatively favourable to pay restraint since living standards, as measured by real personal disposable income, will be about five to six per cent higher in 1978 than during last year.

The review notes the difficulties of defining exchange rate policy. But the forecasts assume that the rate will be supported at about its present level for the next six months.

After that, the expected downward pressures will be only partially resisted.

Consequently, the trade-weighted index should fall by about 62 in the second and third quarters to roughly 58 at the end of next year.

"Fairly strong" growth in private consumption and private investment is expected this year, partly offset by continued stagnation of public spending and by rather rapid import growth.

Real Gross Domestic Product is projected to rise by 2.5 per cent in this year compared with last, and by 1.8 per cent next year.

Volume

On a fourth quarter to fourth quarter comparison an increase *of 3.7 per cent is forecast during* the course of this year, followed by a rise of only 0.8 per cent during 1979.

The decline in the volume of public expenditure is said to explain almost the whole of the continued stagnation in the economy last year.

Total public spending on goods and services this year is projected to rise in volume terms by only ½ per cent, followed by an increase of almost 3 per cent next year.

The review discusses the relative strength of manufacturing investment relative to projections *based* on output growth and capacity utilisation.

For example, the forecasting relationships in the institute's model predicted a 15 per cent fall in investment between the fourth quarters of 1975 and 1977, as against the rise of 14 per cent which actually occurred.

Consequently, the latest projections rely on investment intentions surveys and indicate an 11 per cent rise in manufacturing industry's fixed investment (other than iron and steel) this year.

But because the recovery in demand is expected to peter out next year, a rise of only 4 to 4½ *per cent is forecast in 1979* on the same basis.

Including the public sector, the volume of gross fixed investment is expected to rise by about 3½ per cent this year and by 2½ per cent next.

This still leaves the volume next year below the 1971 level and, as a proportion of Gross Domestic Product, fixed investment will have fallen from nearly 22 per cent. in 1971 to about 19 per cent in 1979.

The rate of private inflation is expected to begin to turn up again in the second half of this year, as a result of the recent decline in the exchange rate and the assumed 15 per cent rise in average earnings in the current pay round.

By the last quarter of this year, consumer prices are forecast to be 10 per cent higher than a year earlier. A further slight acceleration to a rate of between 11 and 11½ per cent is expected for 1979.

Real personal disposable incomes are expected to rise by 3½ per cent this year (with a year-on-year increase of 5½ per cent), but remain flat thereafter.

The savings ratio—the percentage of disposable income saved—is expected to remain high during 1978 but next year, the stagnation in real incomes is projected to lead to a fall in the ratio.

This is forecast at 15.1 and 14.2 per cent respectively in the two years, compared with 14.6 per cent on average last year.

Comparison

A rise in real consumers' expenditure *of 4.7 per cent is* forecast on a year-on-year basis this year, falling to 2.1 per cent in 1979.

On a fourth-quarter comparison, the increases would be 4.6 and 1.2 per cent respectively.

The review also contains a disaggregated forecast of consumer spending.

A very rapid growth in durable expenditure is projected this year, but a sharply lower rate of expansion in 1979—up by 14 and 2.6 per cent respectively on a year-on-year comparison—is also forecast.

Spending on cars and motor *cycles is expected to fall back* slightly towards the end of the year, while furniture and floor coverings should benefit from the expected housing boom.

Non-durable spending is forecast to grow by 3.8 and 2 per cent respectively in the two years. Within this category, drink and tobacco should benefit from the failure to index specific duties.

The assumptions about the exchange rate and forecasts of domestic inflation imply little change in the price competitiveness of U.K. exports of manufactured goods after the middle of this year.

With world trade in manufactured goods growing by an expected 7 to 7½ per cent during 1978 and slowing to 5¼ to 6 per cent in 1979, exports of manufactured goods are expected to rise by about 4½ per cent this year (fourth quarter on fourth quarter) and by 1½ per cent next year.

Imports

Total exports of goods and services are projected to rise by 6¼ per cent during 1978 (3½ per cent year-on-year) and by just under 2 per cent during 1979 (3 per cent year-on-year).

Imports of goods and services are expected (even after allowing for the oil saving) to rise relatively rapidly *this* year, reflecting the recovery of final demand.

An increase of 4¾ per cent is projected for 1978 over the total for last year, with a rise of 3½ per cent in 1979, reflecting the *slowdown in the overall recovery.*

The *institute*, to a limited extent, discounts the sharp increase in imports in the first quarter *of* this year *on* the grounds that there may have been some stockpiling of imports in anticipation of a fall in the *exchange rate.*

Nevertheless, the base point for the balance of payments forecast is lower than assumed by the institute in February, and the exchange rate projection is also lower.

Consequently, after allowing for invisibles, the expected current account surplus of £300m is about £1bn smaller than previously assumed.

A stabilisation in the volume of imports next year and a sharp rise in export prices should ensure a current account surplus of around £1bn next year.

The institute forecasts a public sector borrowing requirement of £8.3bn in 1978-79, near the official estimate and ceiling of £8.5bn for the period.

The review also takes into account the extent of official financing following the expected capital outflows reflecting support for the exchange rate.

But even given relatively buoyant bank lending to the private sector expected as a result of the pick-up in economic activity, the 8 to 12 per cent target for the growth of sterling M3—the broadly defined money supply—can be met with rather lower sales of gilt-edged stock than in the last two years.

This level of sales requires a rise in interest rates, with Treasury Bill rate reaching a peak of 10 per cent.

The institute estimates a domestic credit expansion of £7.9bn. in 1978-79, which would conflict with the official ceiling of £6bn. for the period.

Forecasts for 1979-80 would imply a small rise in public sector borrowing to about £9bn.

With some fall in bank lending to the private sector associated with the ending of the recovery, continued capital outflows and reasonable sales of gilt-edged stock, there would again be no severe problem in meeting a 12 per cent monetary target.

The review discusses the overall fiscal stance by estimating the budget balance at a constant high level of employment.

On this basis, the public sector is now in substantial surplus (about £2.8bn in 1977-78), though this is not unprecedented.

In the years following the 1967 devaluation (up to 1971-72), there were similar full employment surpluses, when employment potential was considered higher.

Nevertheless, the stance of budgetary policy is substantially more restrictive than at any time since 1971-72.

Allowances in force in 1977-78 were sufficient to raise the tax threshold to about 95 per cent of its 1973-74 level in real terms.

However, because the higher rate brackets have been telescoped by inflation, there has been a substantial reduction in the real value of the thresholds for the higher and highest rate thresholds—to just under 70 and 60 per cent respectively of their value in 1973-74.

The total (direct and indirect) effective rate of tax on personal incomes hardly changed last year—at 27½ per cent.

But the income tax rate had been reduced from just over 16 to 15 per cent, while the expenditure tax rate was raised from 11½ to 12½ per cent.

On the basis of the expected brief recovery in activity, total employment was likely to rise a little in the course of this year—by about ¾ per cent—but fall slowly in 1979.

After allowing for the continued growth of the labour supply, this implies that adult unemployment in Great Britain will remain close to its present level of nearly 1.4m during 1978, but rise slowly during 1979 to about 1.5m by the end of the year.

Unemployment

The review discusses the uneven profile of unemployment and suggests that the seasonal pattern *may have changed.*

School leavers aged 18 or over join the adult register in the *summer*, producing a large but *generally temporary increase in* the total.

Similarly, the apparent fall in unemployment at the end of the year may really have been due to some adult registered school leavers coming off the register, rather than being due to a fall in the underlying unemployment level.

With the labour force continuing to grow, there was no prospect that unemployment was likely to fall from the present record levels in the immediate future.

PUBLIC BORROWING AND MONEY SUPPLY

Financial years £m

	Public sector borrowing requirement	Sales of public debt to non-bank private sector	Change in currency	External financing of public sector	Bank lending to public sector	Bank lending to private sector	Bank lending overseas	Domestic credit expansion	Foreign currency finance*	Banks' non-deposit liabilities (net)	Change in money stock (sterling M3)
1975/76	10,583	5,588	463	1,157	3,375	−336	404	5,063	591	862	2,453
1976/77	8,769	7,372	886	178	333	3,325	213	4,935	1,153	776	2,828
1977/78	5,700	7,800	900	−4,700	1,700	4,500	1,050	3,450	1,400	850	5,900
1978/79†	8,300	6,000	1,000	2,000	−700	5,200	400	7,900	−500	900	5,500
1979/80‡	9,000	7,000	1,000	1,000	—	4,700	400	7,100	−500	950	5,650

* Foreign currency bank lending to the public sector, overseas sterling deposits, and banks' foreign currency deposits (net).

† Estimate

‡ Forecast

Payment imbalances key to slow growth

THE LARGE and growing imbalances in the external payments of the leading industrial countries have generated considerable international friction and been an important cause of the slow overall growth of the world economy, the institute says in its report on international conditions.

The review comments particularly on the special problems faced by Japan as a result of its economic structure, and suggests that these tend to be underestimated in the West.

The small proportion of total domestic demand accounted for by public consumption, the special characteristics of the industrial structure and the low level of manufactured imports, made it difficult for the Government to alter the balance of the economy.

Greater aid from Japan to the developing countries could help to ease pressure on Japanese industry and its competitors in other industrial countries.

If this was combined with more effective economies in fuel consumption in the U.S. and a change of priorities in West Germany, "the outlook for the world economy might look a good deal less gloomy than it does now."

Growth of output in the industrial countries "continues to lag behind their official targets and our own expectations."

Aggregate production in the OECD area rose by only about 3½ per cent last year, leaving *unemployment higher at the end* of the year than at the beginning in all major countries except the U.S.

Even allowing for measures of fiscal stimulation in most major countries, no significant change was expected this year or next.

Growth should be faster in Western Europe, particularly this year in the UK and next year in France, Italy and some smaller countries. These accelerations would be roughly balanced by progressively smaller increases in output in the U.S.

A similar pattern emerges in relation to the rate of inflation, with a gradually improving *trend in Europe but a worsening* one in the U.S. An overall improvement for the OECD area is foreseen, partly because the rate of inflation in Japan had been reduced.

The overall increase in consumer prices in these countries should be down to about 7½ per cent this year and probably less next year, after rising to nearly 9 per cent last year.

Differences in annual inflation rates were largely due to the course of commodity prices. After a decline in the second half of last year and the first quarter of this year, prices were expected to drift gradually upwards over the next 18 months or so.

The institute's index of commodity prices exported by primary producers was expected to fall by about 9 per cent between 1977 and 1978, with a rise of perhaps 5 per cent next year.

Prices of manufactured exports from the industrial countries had increased roughly in line with their domestic inflation, and would probably continue to do so.

The terms of trade must therefore have been moving recently quite rapidly in favour of the industrial countries, and the institute expects them to improve for the OECD area by 3-4 per cent in 1978.

With the growth of imports expected to be fairly slow, the institute predicts that world trade will continue to grow only slowly.

The current balance of payments of the OECD countries should improve greatly, probably *moving into overall surplus in* 1979.

On the other side, the current surplus of the oil producing countries is expected to be reduced, while the deficit of the other developing countries will increase rapidly.

Total world trade, which rose in volume by 4 per cent last year, is expected to increase by about 5 per cent this year and by 6 per cent in 1979. There will remain "massive imbalances" between the countries of the OECD area.

In spite of the depreciation of the dollar in 1977 and the early months of this year, the institute foresees little change even by next year in the deficit of the U.S., *and the Japanese surplus* could well go yet higher even after the appreciation of the yen.

CHANGES IN MAIN COMPONENTS OF DEMAND IN OECD COUNTRIES

Percentages, annual rates in real terms

	1965-75	1976	1977 (estimate)	1978 (forecast)
Consumers' expenditure	+4	+4½	+3½	+3½
Public authorities' current spending	+3½	+1½	+2½	+3½
Gross fixed investment	+3	+4½	+6	+4
Trade balance	—	−½	+½	—
Stockbuilding	—	+1½	—	—
Gross domestic product	+3½	+5½	+3½	+3½

INCOME TAX THRESHOLDS AND EFFECTIVE TAX RATES 1973/4-1977/8

	1973/4	1974/5	1975/6	1976/7	1977/8
Income tax thresholds evalued at 1973/4 prices* (£m)					
Basic rate (34%)	1,116	1,097	942	980	1,065
Higher rate (40%)	6,116	4,912	4,003	3,982	4,250
Highest rate (83%)	21,176	18,098	14,583	13,017	12,223
Effective tax rates on personal income† (per cent)					
Income tax	13.2	14.6	16.1	16.1	15.0
Expenditure taxes	12.9	11.5	11.4	11.4	12.5 (12.0)††
Total	26.1	26.1	27.5	27.5	27.5 (27.0)††
Proportion of income tax in total personal taxation (per cent)	50.6	56.0	58.6	58.3	54.2 (55.3)††

* Applicable to a married person, income all earned, with two children not over 11. The reduction in child allowance in 1977/8 has been ignored. The threshold is that level of gross income at which the rate begins to apply.

† Income tax payments plus accruals: total allocation of expenditure taxes (including rates) to consumption: calendar years.

†† *Excluding the national insurance surcharge.*

THE PUBLIC SECTOR FINANCIAL BALANCE, WITH HIGH EMPLOYMENT CORRECTIONS*, 1973/4-1977/8

	Financial balance (£m) Actual	Financial balance (£m) High employment	Weighted budget (per cent of high employment Gross Domestic Product) High employment Balance	Change in balance	of which due to expenditure	of which due to receipts
1973/4	−3,411	−3,400	−9.3			
1974/5	−5,933	−4,600	−10.3	−1.0	−1.5	+0.5
1975/6	−8,259	−3,400	−8.8	+1.5	−0.4	+1.9
1976/7	−7,387	−2,000	−7.5	+1.3	+0.3	+1.0
1977/8						
Budget forecast	−7,577	+200	−6.0	+1.5	+2.1	−0.6
Outturn	−5,762	+2,800	−5.4	+2.1	+2.5	−0.4

Source: National Institute.

* Estimated by taking calendar year 1973 as the "high employment" base and assuming an underlying rate of growth of productive potential of 2½ per cent per annum.

Discussions on future UK growth rate urged

A MORE intensive and public discussion of the varying views about the future growth rate of the UK is called for in a special article in the review by Mr. T. D. Sheriff.

Discussing medium-term planning in nationalised industries, he says that views range from the 4.2 per cent growth rate requirement in the Cambridge Economic Policy Group model, to the 2½ per cent assumption made by some nationalised industries.

The reasons for the differences should be explored, and it would be useful to examine the effect *of a higher growth rate assumption* on the investment plans of nationalised industries.

The inquiry could also be usefully extended to large firms in the private sector to see whether the assumption of slow growth is a common one.

"The public discussion of medium-term economic projections has languished in recent years. This brief survey of the medium-term planning procedures in nationalised industries suggests that it is time for a revival."

The study highlights a dilemma faced by the nationalised industries. They remember their unfortunate experience of the 1960s when they were pressed by the Government to plan their investment on the assumption of a 4 per cent growth rate.

Evolution

The industries are wary of repeating this experience with the danger of over-capacity.

On the other hand, "there may be a certain oddity about a group of industries in the public sector each coming to its own separate conclusion about the likely evolution of the British economy."

This involved possible duplication of effort, and the danger that *excessive caution in these projections* may become self-fulfilling.

If nationalised industries and large firms in the private sector plan on the basis of an expected slow rate of economic growth, then those plans could bring about a slow growth rate.

"Because the planning experiments of the 1960s were unsuccessful, it does not follow that there was no truth at all in some of the ideas which lay behind those exercises."

The expectation of a slow growth rate, need not make a faster rate impossible, but it could make it more difficult to achieve.

National Institute Economic Review, No. 84, May, 1978, available price £3.00 for single issue from 2, Dean Trench Street, Smith Square, London SW1P 3HE.

Multinationals probe grant

MRS. JUDITH HART, Minister of Overseas Development, has approved a grant of £200,000 from aid funds to assist the technical co-operation programme of the UN Centre on Transnational Corporations over the next two years.

The centre, which studies the implications of the activities of multinational corporations, is at present financed by the UN Development Programme and by voluntary contributions from the Netherlands, Norway and Sweden. The centre's work covers mainly advice to governments and information services.

Renault entry

RENAULT, widely estimated to be spending well over £1m in its efforts to win the Le Mans 24-hour race in two weeks' time, has unveiled a new, 233 *mph* Alpine V6 Turbo to head its six-car challenge against 1977 winners, Porsche.

The car, fitted with a 2.1 litre turbocharged engine, has been undergoing secret tests at Paul Ricard circuit in southern France and has been seeded No. 1 of the 55 Le Mans entries. Backing it will be three less powerful 2-litre Renault Alpine V6 Turbos and two similarly-engined Renault Mirages, entered by an American team, which has close links with Renault.

The Le Mans race, in the doldrums during the early 1970s, has been revived by the intensity of the Porsche-Renault rivalry of *the past two years. Renault*, who view the race both as a promotional exercise and test-bed for long-term development of turbo-charged engines, will have an 80-man team at the Sarthe circuit.

LABOUR NEWS

Angry hospital staff may gain worker participation

BY PAULINE CLARK, LABOUR STAFF

THE 900-BED Brookwood psychiatric hospital in Surrey, scene of a workers' council "takeover" by disgruntled nurses and other staff, may become the first hospital to adopt a workers' participation system under the modified Bullock Plan outlined by the Prime Minister last week.

The plan is believed under serious consideration by the area health authorities after joint talks with union and staff representatives at the hospital about the need for improved industrial relations procedure there.

It is likely to be put to a mass meeting of hospital staff today, when local leaders of the Confederation of Health Service Employees, the dominant union at the hospital, make recommendations on the future of the present 12-member workers' council.

If the idea is accepted, the hospital will have made history in the health service which, ironically, was not mentioned in the recent industrial democracy White Paper.

The logical result would be setting-up of a permanent workers' participation committee at Brookwood, with union representatives joining hospital administrators in determining overall policy on running the hospital.

Area health authority representatives might take seats on the committee.

The workers' council was set up nearly a fortnight ago under the leadership of union representatives, including Mr. Joe Fleming, a charge nurse and secretary of the union branch.

The nurses have complained of "autocratic" management, and have presented a list of grievances to the health authorities, including criticisms of certain personalities in control of the running of the hospital.

Today's meeting is expected to discuss what form of inquiry should be set up to look into the problems, as proposed by Dr. Ivan Clout, chairman of the Surrey Area Health Authority.

Dr. Clout has welcomed the decision to set up a workers' council rather than take industrial action, which would have affected patient care.

The nurses have yet to publish their full list of grievances, but are known to have objected to certain instructions by management.

The authority of ward sisters is said to have been undermined, for instance, by orders concerning fixed tea breaks, which the nurses maintain have been without regard to the needs of patients and to the responsibilities of the nurse in charge.

The union has complained of sackings of nurses without the presence of a union officer.

Threat to Llanwern after walk-out

BY ROBIN REEVES, WELSH CORRESPONDENT

IRON AND STEEL production at BSC's Llanwern works, South Wales, was halted yesterday by a dispute involving about 500 blastfurnacemen.

Unless resolved quickly it could lead to a complete shut-down of the plant which produces 40,000 tonnes of steel and steel products a week.

The dispute began when about 100 men working on Europe's largest blastfurnace—Llanwern No. 3—were laid off by the BSC management for working to rule after a rejected pay claim.

Yesterday, another 400 blastfurnacemen walked out in sympathy, resulting in the shutdown of the only other furnace in operation—the No. 2. The No. 1 is at present out of commission for relining.

All iron and steel making at the plant was brought to a halt. However, there are sufficient supplies in the pipeline to maintain production in the finishing end of the works.

BSC's Llanwern works has a total labour force of 9,000, of whom about 8,000 are in manual grades.

The No. 3 blastfurnace has a capacity of 34,000 tonnes a day. It was commissioned in February, 1976, at a cost of £27m.

Meanwhile concern is growing among steel unions in South Wales that BSC is planning further redundancies at the nearby Whitehead, Newport, works.

Plans are reportedly afoot to close a relatively new steel bar mill at the works, which makes a number of specialist finished products, because of the continuing depressed state of the construction industry.

Local steel union sources indicate that they intend to resist any such move strongly, on the grounds that South Wales has already had more than its fair share of steel job losses.

The Whitehead works employs about 1,080 men of whom at least 100 would be affected by a closure of the bar mill.

ACAS acting in Bank row

BY OUR LABOUR STAFF

OFFICIALS from the Advisory, Conciliation and Arbitration Service are due to meet representatives of the Bank of England and the Society of Graphical and Allied Trades today to discuss ways of resolving the dispute at the bank's sole printing works which has halted distribution of new bank notes.

The dispute involves about 500 women note examiners who together with drivers, binders and other groups, all members of SOGAT have been dismissed by the bank for alleged breach of contract.

SOGAT said yesterday that the dispute arose because the bank began replacing its members by non-union workers in breach of the union's recognition agreement.

The union warned that all printing and distribution would remain halted until the sacked staff were reinstated.

The bank says SOGAT is trying to institute a closed shop in an area where half the employees are non-union members. It says it is working towards the organisation of an examiners' closed shop to be introduced "at an appropriate time."

Scorpion tanks moved after blacklist clash

BY NICK GARNETT, LABOUR STAFF

THE SCORPION tanks marooned at the Alvis factory, Coventry, because of a pay blacklisting dispute between the Government and a Midlands road haulier have been moved by a private contractor hired by the Ministry of Defence.

Union officials and road hauliers had said that the tanks would not be moved unless the haulage company, Capel's of Coventry, was given back the contract.

Another haulage company, Joseph Foulkes, of Wednesfield, which was also party to a guideline-breaching pay deal last year, has been told that it will no longer receive Ministry of Defence contracts.

The company was told this last week, the day after it had moved two Scorpion tanks from the Alvis factory, part of British Leyland. A number of hauliers have been involved in the past in moving tanks from the factory.

The Ministry of Defence said yesterday that the back-log of Scorpions, about 12, was moved early last week, before Capel's case had much publicity.

Bank hours trial agreed

SCOTLAND'S clearing banks have agreed with the National Union of Bank Employees to open 16 main branches in Glasgow, Edinburgh, Aberdeen and Dundee at lunchtime for a 6-months trial.

The experiment, which means that the branches will be open continuously between 9.30 am to 3.30 pm on weekdays, starts on Monday.

The union was unhappy about the proposal—by the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale—and only agreed to co-operate when the banks accepted four conditions.

These were that all staff would continue to have a one-hour lunch break, that additional temporary staff would be taken on to maintain staffing levels between 11 am to 3 pm, that the working week would remain at 36 hours and that special attention would be paid to security over the lunch-time period.

Mr. David Paterson, the union's Scottish deputy general secretary, said that the experiment was "ill-conceived, ill-timed and ill-planned," but the union had decided to go ahead in the public interest.

Fighting abuse with self-control

BY MICHAEL THOMPSON-NOEL

THE FLURRY OF protests and Press statements with which London greeted the EEC Commission's draft directive on unfair and misleading advertising—published in March—has died down for the present, to be replaced by a mood of wariness which in one quarter, at least, is beginning to shade into qualified optimism.

That quarter is a very important one indeed, occupied as it is by Lord Thomson of Monifieth—chairman of the European Movement (the all-party, pro-EEC, lobby), chairman of the Advertising Standards Authority and previously one of the UK's first two EEC Commissioners.

Lord Thomson's views on the absurdity of European harmonisation for its own sake, and on the pleasureless joys pursued by the bureaucrats in their sleepless search for uniformity, have endeared him to the advertising and marketing communities in Britain.

Which is not to say he is incapable of turning round and administering a clip behind the ears when necessary. At the Advertising Association's conference in Brighton, Lord Thomson said he was encountering, within the advertising business, *dangerous misconceptions as to* how advertising control works in Britain, plus a disturbing degree of complacency as to how the Brussels draft directive—which proposes uniform civil and criminal legal proceedings throughout the Nine to counter unfair and misleading advertising—can best be tackled.

More recently Lord Thomson told me: "I am now reasonably optimistic that we will get from Brussels an amended directive that will allow each country to preserve its own system of advertising control and still achieve the very worthy aims of the current directive."

He believes that the control of advertising in Britain—a mixture of statutory enforcement and *industrial self-regulation* via the ASA and its Code of Advertising Practice (plus the work of the IBA)—is sufficiently well-*organised at present, and sufficiently* successful, to be allowed to continue along present lines.

"But there is no element of permanence. We have to work at it. The speed with which advertising claims are substantiated is of the greatest importance. Second, those who work on the creative side must be willing, consciously, to work well within the letter and the spirit of the code, whereas advertisements are often prepared without adequate knowledge of the code—the substantiation is looked for afterwards. There are those who think it a sign of creative brilliance to sail as closely to the code as possible.

"The code of practice states quite unambiguously that advertisers should possess the means for justifying their claims, so that when the ASA asks for *comment it should get a reply* by return of post." There are two exceptions, says Lord Thomson: advertisers can't always be expected to anticipate some of the more ingenious complaints that are concocted. Second, there are areas like hi-fi where *the experts themselves differ* greatly as to what constitutes a fair claim or statement.

In this connection it is easy to *see why Lord Thomson believes* the EEC Commission to be guilty of "pious hope" in believing that a much more overtly legalistic system of advertising control throughout the Nine would help introduce quick, effective and inexpensive legal facilities for combatting advertising abuse.

It would be a feast day for the lawyers, says Lord Thomson, whereas the current cost of *administering the ASA, for* example (approximately £500,000 a year) represents no direct cost to the consumer at all.

In the ASA's annual report, published last week, Lord Thomson warned that it was not only the bureaucrats in Brussels *but ideologists at home who* were out to tilt the balance of advertising control decisively in the direction of statutory enforcement:

"If statutory control went too far it would quickly create new and costly armies of enforcement officials, and new and costly courts to administer the new laws. It would cost the advertising business a great deal more than the present 0.1 per cent. surcharge: and it would cost the consumer much more than the price of a stamped complaint—if they were still as ready to *complain in the absence of the* present guarantee of confidentiality."

Lord Thomson's remarks about complacency within the advertising business are also easy to *understand, for* while it is important not to exaggerate the degree of concern the citizenry at large harbours about advertising (matters of family, government and the trade unions rank way ahead of advertising in the neurosis league) it is equally clear that in many parts of the world the consumerists and other pressure groups are creeping up on advertising virtually from behind.

In a great many cases they are now within a stone's throw of their objectives. In Berne, the Swiss Parliament is debating *whether or not to ban all tobacco* and drink advertising. (In Britain, tobacco advertising may well be outlawed within five years and drink advertising strenuously repressed.) In Washington, singer Pat Boone, whose company, Cooga Mooga Inc., received 25c for every $9.50 bottle of Acne-Statin sold as *payment* for his endorsement of the product, has agreed to a settlement holding him personally accountable for false and deceptive advertising—the forerunner of rigorous new endorsement standards now being developed by the Federal Trade Commission.

In Brussels, the European Consumer Law Group has stated that in the absence of firm legislative control of advertising (which it favours), self-regulatory bodies should be required to operate under the aegis of consumer organisations and trade bodies. In addition, the group wants very special attention accorded advertising directed at the young, the elderly and the ill, as well as ads de*signed to help the sale of* "harmful and hazardous products such as tobacco, alcohol, pharmaceutical products *and* sweets."

The list is endless. In a great many instances the moral case for more rigorously framed rules on advertising conduct and control seems to speak for itself. But there are *many areas* and instances where the rights of the advertiser need strong protection, too. In Britain, the advertising industry is fortunate that it has someone like Lord Thomson to chivy it along.

HOW "LEGAL, decent, honest and truthful" is British advertising? If the reaction of the public is anything to go by, it scores extremely well. The Advertising Standards Authority conducts a national ad campaign of its own each year, inviting complaints from the public. The 1978 campaign is running now (see inset).

The 1977 campaign began last August and ran for three months, enlisting the support of folk heroes like Marjorie Proops and Sir Matt Busby. It cost £150,000. In addition, a further £64,113 worth of free space was donated by the media.

***According to ASA chairman Lord* Thomson of Monifieth: "The evidence from the ASA's own operations certainly does not show any widespread grass-roots feeling among consumers that advertising is misleading."**

Following the 1977 campaign, the number of complaints which came in for ASA consideration, over a nine-week period, totalled 1,593 against a background of something of the order of 4.5m ads published each week.

"Of that number, 183 were complaints not about advertisements but about a failure to deliver goods ordered by mail. (Because such goods are bought as a direct result of an advertisement, the ASA has special responsibility for bringing such complaints to a satisfactory conclusion). Of the remaining complaints, 295 were found to be justified. This represents 18.5 per cent of all complaints received in the period but only 0.006 per cent. of the estimated total number of print advertisements *published* during the nine weeks concerned.

Are you legal, decent, honest and truthful?

Advertisers have to be.

The Advertising Standards Authority

"The complaints which were upheld ranged from technical breaches of the Code and genuine over-sights to a very few intentionally misleading claims. A substantial proportion were concerned with questions of taste and decency: *an area where self-regulation need* fear no competition from the law."

Consumers, consumerists, and pistachio nuts

TALE OF THE MACABRE No. 1: In the U.S. recently, the Food and Drug Administration decided to crunch its teeth on the Ferris Coffee and Nut Company of Grand Rapids, Michigan, writes **Michael Thompson-Noel**. *For* why? Partly, it seems, because the federal agency was concerned that the firm's mixed nuts failed *to comply with the FDA's food* standard because the product label did not bear the words: "Mixed nuts." The agency said the label failed to indicate that the product contained up to 60 per cent. cashews and that the optional nut ingredients were not declared in descending order of predominance. The FDA criticised the lack of a net quantity statement on the label and the failure to declare the presence of pistachio nuts. The FDA told the company that the zip code in its address was omitted from the label and that use *of the term "P-Nut Oil"* was not an acceptable phrase for declaring peanut oil as an ingredient.

Tale of the macabre No. 2: In Washington two weeks ago, Sen. Wendell Ford of Kentucky scored the first victory in an announced attack on red tape by amending the National Traffic and Motor Vehicle Safety Act to eliminate an obscure provision requiring that all retreaded car tyres be registered with the U.S. Government. Since 1971, some 63m tyres have been registered. But during that *entire period* a total of only eight tyres were recalled, at an average estimated cost to the registration programme of $3m per tyre. Said Sen. Ford, with classic understatement: "We found that since each retread is a separate, individual product, the chances for a product recall are very remote at best."

It is no coincidence that both those stories come from the U.S. They were supplied last week by Jeffrey H. Joseph, Director of Government and Regulatory Affairs for the U.S. *Chamber of Commerce, speaking* in London at an AGB seminar on consumerism.

It is Mr. Joseph's belief—a belief *increasingly shared on* both sides of the Atlantic—that the consumer movement has gone too far, too fast: that whereas the original problem, pursued with great vigor by activists like Ralph Nader, was to provide protection for the consumer, an even greater problem is now perceived to be the hidden and ever-mounting cost to society of regulating the conduct and practices of business and industry.

Quoting studies by Prof. Murry Weidenbaum, Mr. Joseph indicated how the U.S. federal regulatory agencies generate large costs in the private sector. In 1976, the estimated cost to U.S. business of complying with federal regulations exceeded $62bn, or 20 times the $3bn budgeted for operating the agencies themselves.

Federally-mandated safety and environmental features, says Mr. Joseph, will increase the price of the average American passenger car this year by $666 for a total, to U.S. motorists at large, approaching $10bn.

The Federal Paperwork Commission estimates that the total cost of paperwork imposed on private industry ranges from $25bn to $32bn annually and that "a substantial portion of this cost is unnecessary." Regulatory requirements imposed at federal, State and local government level are adding between $1,500 and $2,500 to the cost of *the average new house.* According to Mr. Joseph, approximately $10bn of new private capital spending is devoted each year to meeting mandated environmental, safety and similar regulations rather than being *invested in new projects.*

General Motors says it costs it $3bn (plus the full-time efforts of 22,900 employees) to comply *with auto emission and safety* regulations. The Dow Chemical Company says the impact of federal regulatory costs on its U.S. *operations alone is costing* $186m annually.

According to Dow Chemical's president: "Ultimately, the consumer ends up paying for these costs, which really amount to a mandated hidden tax on consumers." According to Mr. Joseph, the problem is growing in all dimensions, although so is awareness of the problem. "It is my hope that this sort of awareness will spread to all governments who contemplate novel, aggressive solutions to possible problems without first attempting to measure the cost."

During the seminar's lunch lull, Gordon Borrie, the UK's Director-General of Fair Trading, expressed the opinion that consumerism had become the whipping boy for everything that business and commerce found unpalatable, on whatever front.

But the mood now, both in Britain and the U.S., is that the consumerists have to date enjoyed an overkill of rhetoric. As Harry Shepherd of Marks and Spencer said last week: "The choice I would like most to argue for is the choice between benefits and costs—a choice not *yet offered to consumers, perhaps* because while the benefits are well publicised, the costs have been apparently difficult to *estimate.*"

The Alliance changes tack

THE TED BATES AGENCY, Britain's eighth biggest, has had its ups and downs lately, losing three board members and more than £2m worth of business, though the business losses have been more than counter-balanced by gain such as Pint Size, Cadbury Typhoo's new instant milk product, and the £2.5m launch for Mars' new Banjo chocolate snack bar.

One of Bates' losses was the Alliance Building Society, siphoned off by Doyle Dane Bernbach.

Partly because the societies offer such comparable services, the return on their advertising investment is relatively easy to evaluate. They certainly spend enough. Total MEAL-type spending by the societies in the 12 months to March 31, 1978, was £9.94m. The biggest spenders were Abbey National (£1.3m), Halifax (£1.1m), Leeds Permanent (£830,500), Nationwide (£1.2m) and the fun-loving Woolwich Equitable (£780,000).

Over the same period the Alliance, which is the country's *sixth largest building society,* spent only £306,500 a la MEAL. But it is now concentrating more on TV, so its total ad budget this year is more like £550,000.

It may be the sixth biggest, but it knows it is not the sixth best known. The nicest thing that can be said about Bates' TV work for the Alliance is that it was dull. The ads showed *general manager* Roy Cox explaining precisely what services the Alliance offered and how investors could count on good rates of interest, security and personal service — a strikingly different approach to the jingles and jokes and bikini *tops paraded by the Abbey,* the National, the Leeds and the Woolwich, for example.

"We want to retain the serious approach," says Roy Cox "because we want to achieve much more than awareness. At the same time, we want a new creative approach, a new style and personality."

Pan Am raises hackles

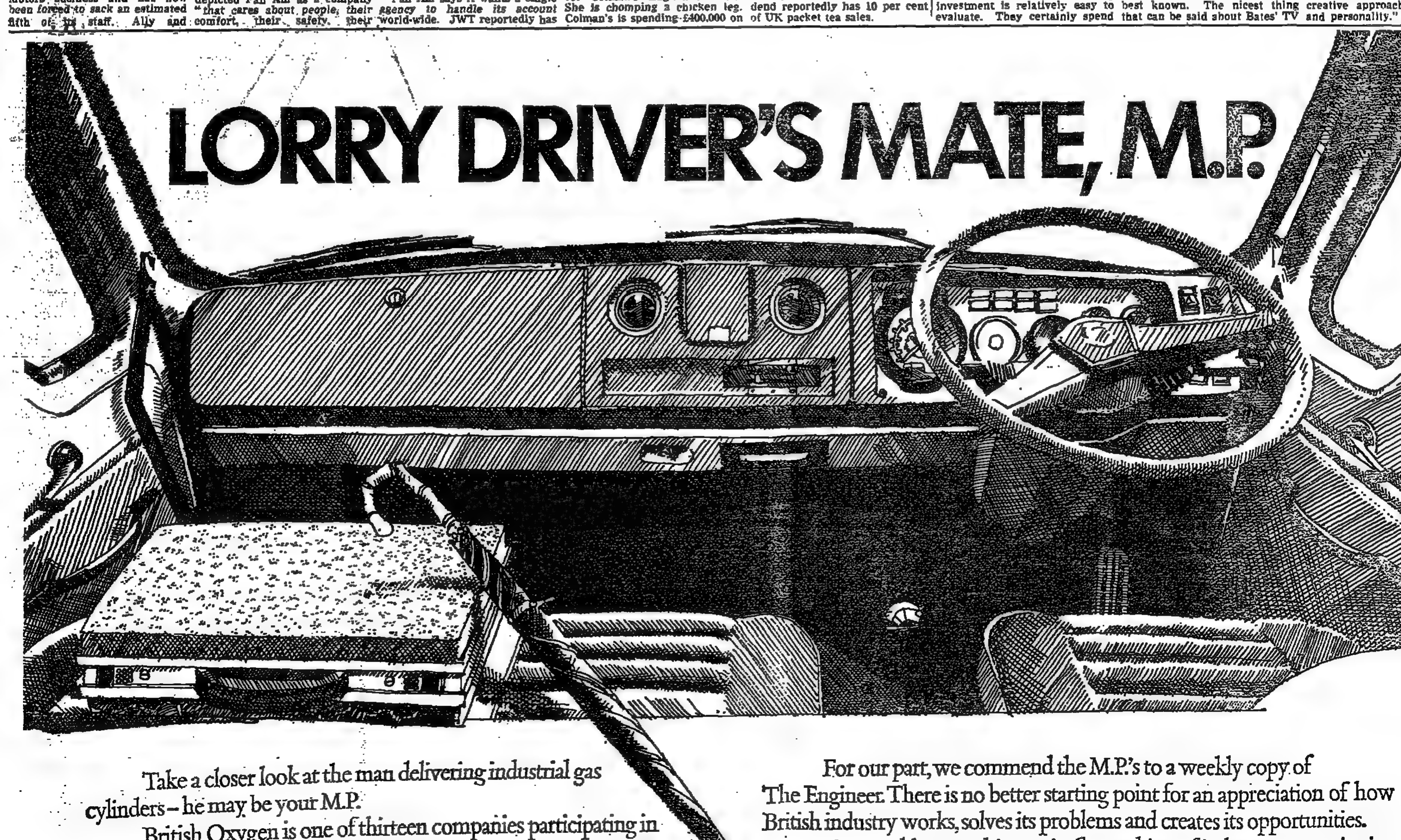
PAN AMERICAN World Airways' decision to fire Ally and Gargano and instigate a competitive scramble for its $32m. account has stirred tempers in the U.S. Earlier this year Ally and Gargano lost its $12m. Fiat Motors business and has now *been forced to sack an estimated* fifth of its staff. Ally and Gargano handled Pan Am's domestic business worth $12m; the $20m overseas account is handled by J. Walter Thompson.

DKG Advertising chairman Shepard Kurnit observed that Ally and Gargano's work had depicted Pan Am as a company "*that cares about people, their* comfort, their safety, their hopes, their dreams. They have just made it painfully clear that they don't care at all."

The A&G head, Carl Ally, received 48 hours notice from Pan Am. He was at a funeral at the time.

Pan Am says it wants a single *agency to handle its account* world-wide. JWT reportedly has the inside rail. Its 14 rivals include McCann-Erickson, Ogilvy & Mather, SSC&B, Ted Bates, D'Arcy-MacManus & Masius, and Needham, Harper & Steers. A *decision is expected by late July.*

● **Campaigns and Accounts:** "C'mon Colman's, light my fire." is the phrase employed by a *scantily-clad nymph on a tiger* skin in the first of a series of three new ads devised by JWT for **Colman's English Mustard.** *She is chomping a chicken leg.* Colman's is spending £400,000 on English Mustard this year. . . . **National Holidays**, part of the National Bus Company, has given its £300,000 to **Bastable Market Development . . . Trebor** is putting its Sharps Extra Strong Mints into posters for the first time, via **NSW Partners.** Extra Strong is said to have 25 *per cent of the £30m pressed* mints market . . . **Brooke Bond Oxo** is spending £250,000 on **Dividend "D"** in June. Dividend reportedly has 10 per cent of UK packet tea sales.



LOMBARD

Coping with the German unions

BY ADRIAN DICKS

NEXT TIME Mr. James Callaghan manages to get together for an evening's quiet reflection and soul-baring with his good friend Helmut Schmidt, it would not be surprising if it were the British Prime Minister who found himself being asked for advice. Not, *you may be sure*, on the matter of reflation, where Mr. Denis Healey has once again in recent days urged his unwelcome views on Bonn. Where Herr Schmidt could be forgiven for feeling a certain sense of bewilderment right now is in a realm where foreigners have usually taken German success for granted—the social contract. West Germans are beginning to wonder whether an essential ingredient in the formula may now have altered its properties. Have the unions gone sour?

Earlier this spring, in the bitter and hard-fought printing and metal-working disputes, the West German trade union movement delivered a costly reminder of its existence to those who might have felt tempted to assume that the logic of an appreciating currency, a stubbornly high unemployment rate and continuing demand weakness would force another year of wage restraint acceptable to the economic establishment.

Expensive

The disputes were expensive by anyone's standards: official statistics show a loss of 3m working days for 1978 so far, compared to a worst-ever year in 1971 of 4.5m. The metal-working and engineering employers have calculated that the combination of strike and lock-out cost them a good DM 2bn, while the effect on an already faltering real gross national product will certainly be to make the government's 3.5 per cent growth target for 1978 as a whole still less likely to come off.

To listen only to the employers' side of it, you would think the spring's wage rises of about 5 per cent, coupled with the agreements on job security that both printers and metal-workers managed to win for themselves, were the last straw. Now that first-quarter company results are beginning to come in, however, the picture does not look so overwhelmingly black. Boards are in a growing number of cases expressing "qualified confidence" or referring to "relatively satisfactory earnings," or similar phrases.

It is the unions, now that the 1978 wage round is over, who seem to be gnawed by self-doubts. The reception accorded to Herr Schmidt a little while ago at the Hamburg conference of the Deutsche Gewerkschaftsbund (DGB), the counterpart to the British TUC, was unusually cool. Both the Chancellor, himself a trade unionist like many other social democratic politicians, and the Federal President, the Free Democrat Herr Walter Scheel, were subjected to some unaccustomed heckling when they warned the delegates against yielding to luddism, or systematic resistance to labour saving innovation.

Frustration

What seems to worry not only Ministers but trade union leaders themselves is not the spirit of impatience shown towards such homilies (all too rare), but the deep sense of frustration felt by many in the movement. The job guarantee clauses have brought no great peace of mind, for many *on the union side are fully aware* that their effect may be merely to make union members still less attractive to employ, compared to machines.

Similarly, calls from the leadership for further discussion of reducing working hours in the interests of cutting unemployment have met with a certain *shuffling of* delegates' feet.

Most frustrating of all is the unions' belief that they have no way out. The Free Democrat Economics Minister, Count Otto Lambsdorff, keeps appealing to them to return to the Concerted Action Conference which, if it worked as was once intended, might indeed be the right forum to discuss the deep-seated structural problems that afflict West Germany no less than other industrial societies. Yet to do so now would be to bow to the employers' federation, whose provocative constitutional lawsuit against the workers' participa*tion (Mitbestimmung) Act was* the ostensible reason for the unions' walking out. The DGB's attempted counter-move, of seeking legislation that would ban the use of the hated lock-out weapon, has been snubbed by the Social Democratic Chancellor himself in unambiguous terms.

Employers or academics who have been prone to blame the unions would, however, be ill-advised to rejoice at their present discomfiture. For yes, even in Germany there are delegates to the DGB polishing their rhetoric about the class struggle and counting off the days until the present generation of men at the top take their retirement, doubtless amid official tributes to their statesmanlike good sense. That is a quality their successors may prefer to dispense with, unless it is fairly quickly seen to deliver the goods.

Sizing up the question of market abuse

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

IT IS sometimes assumed that the EEC Commission only intervenes to curb abuses of market power in cases where the offending company has a substantial market share. Recent reports from Brussels inferred from the case of United Brands, *which has a 42 per cent. share* of the relevant banana market, that a company with less than a 40 per cent. market share has really not much to fear.

Such optimistic conclusions are quite wrong. In the same way as other anti-trust agencies, the Commission and also the European Court are steadily moving away from using the market share as the only, or even the decisive yardstick of market dominance. There are at least two recent decisions of the Commission where companies whose market share was under *10 per cent were* held to be market dominant.

In its decision of October 1977 the European Court held that SABA, though, holding only 6 to 7 per cent of the TV sets market in Germany, was in a dominant market position making it *subject to the* rules of Article 86 of the EEC Treaty. SABA was one of eight producers of television sets in Germany which together controlled 91 per cent of the market. It is remarkable *that the Court gave greater* weight to the Commission's view that the company was in a dominant position than to the fact that SABA had less than a 7 per cent share of a highly competitive market for products which appear readily inter*changeable to most consumers.*

The Commission appeared, at first, to be in a somewhat stronger position when, by its decision of 19 April 1977 (Official Journal 1977 L 117) it condemned the behaviour of three Dutch subsidiaries of the British Petroleum Company during the 1973 oil crisis. The Commission accused BP of having unduly restricted supplies to independent distributors. The case was originally brought against all the major oil companies operating in the Netherlands but subsequently dropped in respect of all but BP, which had only a 9 per cent share of the relevant product market in the Netherlands. In reaching its decision the Commission did not rely on market share at all but argued that it was impossible for an "independent" distributor to find a new supplier at a time when the oil majors were restricting supplies even to their own outlets. In its decision the *Commission* states:

"Firms hold a dominant position where they are able to act fully independently—in other words where they may conduct their business without regard to the actions of competitors and customers. This can happen when general economic circumstances and particular market conditions combine so that firms with an established market position, access to raw materials and a adequate industrial capacity and capital resources, find themselves in a position to control production and distribution in a substantial proportion of the market."

The Decision went on to say that in these circumstances "For reasons completely outside the control of the normal suppliers, their customers can become completely dependent on them for the supply of scarce products. Thus while the situation continues, the *suppliers are placed in a dominant* position in respect of their normal customers."

BP argued that it had cancelled its contract with the complaining distributor some six months before the oil crisis. Moreover, it contests the Commission's interpretation of EEC rules of competition in the European Court, and last week received backing in the Opinion of Mr. Advocate-General J.-P. Warner. To put it briefly, Mr. Warner concluded that BP was not in a market-dominant posi*tion; did not abuse market* power; and, moreover, its action had no adverse effect on inter-state trading in the Community. He proposed that the Commission's decision ought to be cancelled in its entirety. The Court will now have the final word.

* * *

THOUGH the Court never refers to the Opinion of the Advocate General in its judgment, one wishes it would take a stand on a fundamental issue raised by Mr. Warner. It concerns the legislative activity of the Commission and indirectly also that *of the Court.* After saying that, in his opinion, the function of allocating supplies in a time of scarcity is essentially a function of Government, Mr. Warner continued: "The Commission's view seems to be that where there is a lacuna in whatever governmental measures may have been taken, Article 86 may be invoked to fill it."

One could add that this sort of legislation, "by filling the gaps," is very widespread in the realm of EEC law. The European Court is not only applying *the law, it is also creating it*, as a sort of EEC equity. The trouble is not that it is done, but that it cannot be done properly behind closed doors.

Speaking about equity in international law at the Petroleum Law Conference in Cam*bridge recently,* E. Lauterpacht, QC, an eminent international lawyer, said that when equity rules are being created there is a real need for debate, not only between the parties but also between the parties and the court. In his view a preliminary assessment of the case by the court *should be followed* by further argument. In the case of the European Court it is not. It legislates without discussion.

* * *

THE ROCHE/Centrafarm trade mark case No. 102/77 was finally *resolved by a judgment* handed down on 23 May. Answering the question of whether a branded product, repacked without the trade mark owner's permission, may be labelled and resold under the original trade mark, the Court ruled *that* in principle trade mark rights can be invoked against a party which uses the trade mark without the owner's permission. However the Court said that trade mark rights must not be allowed to stop the repacker if it can be shown that *in the context of the* owner's marketing system trade marks are used as a disguised barrier between national markets in the Common Market.

The Court followed therefore the Opinion of its Advocate General Francesco Capotorti, *reported earlier in this column*, but added to the conditions under which such repacking may be carried out. While the Advocate General demanded that the product should remain unimpaired along with notification of repackaging on the container, the Court added the requirement *that* the trade mark owner be notified. As Centrafarm had not informed Roche of the repacking, the German Court, which referred the case to Luxembourg, will be able to find in favour of Roche and therefore render a decision not much different from that at which it would arrive according to German trade mark law. Next time, however, Centrafarm will not fail to notify the manufacturer and—in all probability—will have its way.

Interest in Pyjama Hunt rising

RACING

BY DOMINIC WIGAN

ANTE POST DERBY activity yesterday switched in no uncertain terms to France's Huntercombe colt Pyjama Hunt, and the now sole surviving Seven Barrows contender, Formidable.

Although there is still a possibility that France's champion jockey, Yves St. Martin could be claimed for the rank outsider Bilal, the consensus is that he will be allowed to ride Pyjama Hunt, one of France's leading juveniles last season.

Pyjama Hunt, a 5,000 guineas yearling, more than repaid that modest *investment in his first* season. He landed the Prix des Foals at Deauville before finishing second in both the Prix des Chênes and the Grand Criterium (both at Longchamp) and has been clipped in most lists from 50-1 to 33-1.

Pyjama Hunt worked con*spicuously well on a left-handed* gallop on Saturday and experts are more than hopeful that he can give an extremely good account of himself on June 7.

Mecca and Playboy bookmakers, who both laid him to lose substantial sums yesterday have had an equal amount of interest in Formidable, another colt to have worked well in the last few days.

Formidable had some particularly *strong work to tackle in* Crow, Leonardo de Vinci and Malecite. Those who saw the way in which he quickened when asked to go about his business came away impressed. With the news that Pat Eddery will be aboard him a further shrinkage in his current odds of 20-1 (in some cases 16-1) seems likely.

Turning to today's racing Walwyn and Eddery will be found at Brighton where it seems likely that the luckless Acolyte can get off the mark in the Portslade Stakes, a mile event confined to three-year-old maiden fillies. Earlier in the afternoon, favourite backers should collect after the Shoreham Stakes in which Potemkin, a promising second to Twice Rich in the May Stakes at Newmarket on 1,000 Guineas Day will probably be at prohibitive odds.

At *today's other meeting*, Carlisle, Faverdale should be good enough to open her account in the modestly-contested opener, the Buttermere Selling Stakes.

BRIGHTON

2.00—Bamstar
2.30—Potemkin*
3.00—Happy Donna
3.30—Acolyte**
4.00—Wanlockhead
4.30—Pickling Spice

CARLISLE

2.15—Faverdale***
2.45—Rosellio
3.45—Come Here
4.15—Fascadale

Lottery plan for Olympic teams

THE BRITISH Equestrian Olympic Fund is to promote a lottery to raise funds to send Britain's equestrian teams to Moscow for the 1980 Olympic Games.

The lottery will be organised by Nat Op Lotteries, part of the Victoria Sporting Holdings Group, and run on an "instant win" system with tickets at 25p each and prizes from 50p to £1,000. The purchaser simply rubs away the print on the ticket to reveal hidden numbers underneath.

Tickets will be on sale at horse shows and riding events through*out the country*, including the Herts County Show, Burley-on-the-Hill Show, South of England Show, Leicester County Show, Essex County Show, the City of Glasgow Show, Hickstead and Burghley.

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET

COLISEUM. Credit Cards: 01-240 5258. [illegible]

THEATRES

FORTUNE. 836 2238. Evgs. 8.00. Thurs. 3. Sat. 5.00 and 8.00. Muriel Pavlow as MISS MARPLE in AGATHA CHRISTIE'S [illegible]

THEATRES

REGENT THEATRE. [illegible] Evgs. 8.30. Fri. and Sat. 7.0 and 9.0. [illegible]

[illegible]

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University. 11.15 On the Move. 11.25 Cricket, First Test: Cornhill Insurance Test Series: England v. Pakistan. 1.30 pm Chigley. 1.45 News. 2.10 Cricket: First Test, England v. Pakistan. 3.53 Regional News for England (except London). 3.55 *Play School (as BBC 2 11.00 am)*. 4.20 Sinbad and the Flying Carpet. 4.20 Heads and Tails. 4.45 Laff-a-Lympics. 5.05 Blue Peter.

5.35 News.

5.45 Barney Bar (*London and* South-East only).

5.50 World Cup Grandstand from Argentina: Opening ceremony and opening match at 6.50: West Germany v. Poland.

9.00 News.

9.25 Des O'Connor Tonight.

10.15 *Spend, Spend, Spend.*

11.40 Weather/Regional News.

All Regions as BBC1 except at the following times:—

Wales—1.30-1.45 pm Mr. Benn. 4.45 Crystal Tipps and Alistair. 4.50-5.05 Y Llewod a Mistar Mostyn. 5.45-5.50 Wales Today. 11.40 News and Weather for Wales.

Scotland—5.45-5.50 pm Scottish news. 6.50-9.00 World Cup: West Germany v. Poland (scottish commentary). 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.45-5.50 Northern Ireland News. 11.40 News and Weather for Northern Ireland.

England—5.45-5.50 pm Regional News (except London and SE).

BBC 2

6.40-7.55 am Open University.

11.00 Play School.

4.30 pm Cricket: First Test, England v. Pakistan.

6.40 Tyrone Power in "The Black Swan."

8.05 Gardeners' World.

8.30 In Deepest Britain.

9.00 Tyrone Power in "The Sun Also Rises."

11.05 Cricket, First Test (highlights).

11.35 Late News on 2.

11.45-11.55 Closedown: Sir Hugh Casson talks about "Interior in Venice" by John Sargent.

BBC 2 Wales only—8.05 pm Heddiw. 8.30-9.00 Eisteddfod Yr Urdd.

LONDON

9.30 am Dynomutt. 9.50 To the Wild Country. †10.40 "Abbot and Costello Meet Frankenstein." 12.00 Gammon and Spinach. 12.10 pm Pipkins. 12.30 Treasures in Store. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. †2.30 "Gold Is Where You Find It" starring Eddie Byrne and Dermot Kelly. 3.00 "Lost Horizon" starring Peter Finch.

5.30 News.

5.45 World Cup '78: Opening ceremony and West Germany v. Poland.

9.00 Best Sellers, part 4.

10.00 News.

10.30 This Week.

11.00 Dan August.

12.00 What The Papers Say.

12.15 am Close: Xanthi Gardener reads a poem by Angelene Paterson.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 a.m. Manfred. 9.45 Animated Classic (The Prince And The Pauper). 10.35 Feature Film: "Sink The Bismarck." 1.25 p.m. Anglia News. 2.00 Houseparty. 2.30 Feature Film: "Lost Horizon." 5.00 About Anglia. 11.00 TV Movie: "A Time For Love." 12.35 a.m. The Living Word.

ATV

9.40 a.m. Untamed Frontiers. †10.00 Morning Matinee: "A Tale of Two Cities" starring Dirk Bogarde. 1.20 p.m. ATV Newsdesk. 2.30 "Lost Horizon" starring Peter Finch. 5.00 ATV Today. 11.00 Gardening Today. 11.30 Dan August.

BORDER

9.30 a.m. World Leaders: Stalin. 10.30 Certain Women. 11.25 Untamed World. 11.50 The Undersea Adventures of Captain Nemo. †1.20 p.m. Border News. 2.30 "Lost Horizon." 5.00 Lookaround Thursday. 11.00 Danger in Paradise. †11.50 Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 2.30 Feature Film: "Lost Horizon." 5.00 Fantastic Voyage. 6.30 Channel News. 10.28 Channel Late News. 11.00 Police Woman. 12.00 The Electric Theatre Show: Richard Harris. 12.25 a.m. News and weather in French.

GRAMPIAN

9.25 a.m. First Thing. 10.00 Technoflash. 10.30 Search for the Super. 11.30 The Mary Tyler Moore Show. 1.20 p.m. Grampian News Headlines. 2.30 Feature *Film: "Lost Horizon." 5.00 Grampian Today.* 11.00 Cover to Cover. 11.30 Reflections. 11.35 Streets of San Francisco. 12.30 a.m. Grampian Late Night Headlines.

GRANADA

9.30 a.m. Sesame Street. 10.25 Heat Wave. 11.35 The Lone Ranger Show. 1.20 p.m. This Is Your Right. 2.25 "Lost Horizon" starring Peter Finch. 5.00 Granada Reports. 11.00 What's On. 11.30 What The Papers Say. †11.50 The Untouchables.

HTV

9.40 a.m. Sesame Street. 10.40 "A Queen Is Crowned." 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Royal Bath and West Show. 2.30 "Lost Horizon" starring Peter Finch and Liv Ullmann. 5.00 Report West. 5.15 Report Wales. †11.00 The Late Film: "The Camp on Blood Island" starring Carl Mohner and André Morell.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 5.00-5.15 Y Dydd. 10.30 Eisteddfod Genedlaethol Yr Urdd 1978. 11.00 Mr. and Mrs. 11.30 This Week. 12.00-12.30 a.m. The Cuckoo Waltz.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 5.15-5.30 Sport West.

SCOTTISH

10.00 a.m. Battle of the Bulge. 10.50 TV Movie: "The Magician." 1.25 p.m. *News and road report.* 2.30 "Lost Horizon" starring Peter Finch. 5.00 Scotland Today. 11.00 Something Special. 11.45 Late Call. 11.50 Star Maidens.

SOUTHERN

9.30 a.m. Return to the Planet of the Apes. 9.55 Sinbad Junior. 10.15 "David Copperfield" starring Robin Phillips and Susan Hampshire. 1.20 p.m. Southern News. 2.00 Houseparty. 2.25 "Lost Horizon" starring Peter Finch. 5.00 Day by Day. 11.00 *Southern News Extra.* 11.10 Danger in Paradise. 12.10 a.m. What The *Papers Say.*

TYNE TEES

9.10 a.m. The Good Word followed by North East News Headlines. 9.15 Star Riders. 9.40 Valley of the Dinosaurs. †10.00 Morning Movie: "A Night To Remember" starring Kenneth More. 1.20 p.m. North East News and Lookaround. 2.00 The Bath and West Show. 2.25 "Lost Horizon" starring Peter Finch and Liv *Ullman.* 5.00 *Northern Life.* 11.00 Double Top. 11.40 An Audience With Jasper Carrott. 12.10 a.m. Epilogue.

ULSTER

11.00 a.m. Sean the Leprechaun. 11.10 Undersea Adventures of Captain Nemo. 11.15 Animated Special. 1.20 p.m. Lunchtime. 2.30 Feature Film: "Lost Horizon" starring Peter Finch, Liv Ullmann and Sally Kellerman. 5.00 Let's Look at Ulster. 5.20 Reports. 11.00 Hogan's Heroes. 11.25 Living and Growing. 11.50 Bedtime.

WESTWARD

9.45 a.m. Clue Club. 10.10 Woobinda. 10.35 "Cry of the Wild." 12.27 p.m. Gus *Honeybun's Birthdays.* 1.20 Westward News Headlines. 2.30 Feature Film: "Lost Horizon" starring Peter Finch. 5.00 Westward Diary. 10.28 Westward Late News. 11.00 Police Woman. 12.00 The Electric Theatre Show. 12.25 a.m. Faith for Life.

YORKSHIRE

9.30 a.m. Davy Crockett. 10.20 The Undersea Adventures of Captain Nemo. 10.25 Lassie. 10.45 Ride to a Spanish Virgin. 11.25 Clue Club. 11.50 Cartoon Time. 1.20 p.m. Calendar News. 2.30 "Lost Horizon" starring Peter Finch. 5.00 Calendar. 11.00 Danger in Paradise.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Country Club (S) (as VHF). 9.00 As Radio 2. 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2—5.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 6.33 John Dunn (S) (continued: see Radio 2, 4.50). 7.02 Country Club (S). 9.00 With Radio 2. 10.00 With Radio 1. 12.00-2.02 a.m. With Radio 2.

RADIO 2 1,500m and VHF

5.00 a.m. News Summary. 5.02 Ray Moore (S) with The Early Show, including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk and 6.02 Cross-Channel Motoring Information. 6.33 World Cup Special: West Germany v Poland including 7.45 Racing Results and cricket scoreboard. 9.02 Folkweave (S). 9.55 Sports Desk. 10.02 Good Luck, Scotland. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

(B) Binaural broadcast

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 8.55 Rural Rhymes. 9.00 News. 9.05 This Week's Composer: Claudio Monteverdi (S). 9.45 Music For Two Pianos (S). 10.20 The Sound of Cricket (S). 11.15 Cricket: First Test, England v. Pakistan: commentary, comments and summaries; close of play summary. 6.40 Lifelines: The Wider World. 7.40 Scottish National Orchestra, part 1 (S). 8.15 Masefield in Voice. 8.35 Scottish National Orchestra, part 2 (S). 9.45 "The Revenge", play without words by Andrew Sachs (S and B). 10.15 Piano Recital (S). 11.00 Purcell concert (S). 11.35 News. 11.40-11.45 Tonight's Schubert Song (S).

VHF—6.00-7.00 a.m. Open University. 7.00 With Medium Wave. 11.15 Mahler's Third Symphony (S). 1.00 p.m. News. 1.05 Mozart and Nielsen (S). 1.50 "Platee," comedy-ballet in a prologue and three acts, music by Rameau. Prologue and Act 1. 2.45 Words . . . by Patricia Beer. 2.50 "Platee," Acts 2 and 3. 3.55 Vincent D'Indy (S). 4.35 The Song of a Great City (S). 5.05 Bernard Van Dieren (S). 5.45 Open University. 7.40 Medium Wave.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 8.00 News. 8.10 Today, including 8.35 News headlines, weather, papers, sport (except SW and East). 8.45 A Handful of Dust. 9.00 News. 9.05 These You Have Loved (S). 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.45 Closed World of Love. 12.00 News. 12.02 p.m. You and Yours. 12.27 Many a Slip. 12.55 Weather; programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.00 News. 4.05 Jack de Manio Precisely. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather; programme news. 6.00 News. 6.30 Brain of Britain 1978. 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 The Countryside in Early Summer. 8.30 Elizabeth Jane Howard: reflections of a writer. 8.45 Analysis. 9.30 Kaleidoscope. 9.59 Weather. 10.00 [illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

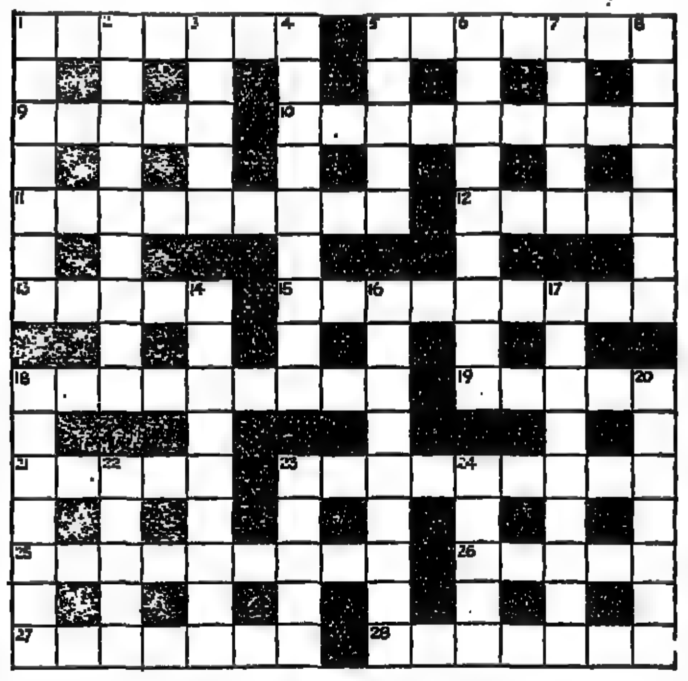
[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,681



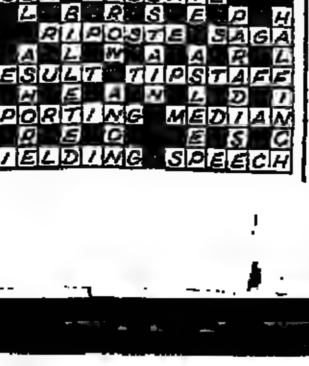
ACROSS

1 American attorney joining board can be met by appointment (7)
5 Taking possession of officer on river (7)
9 Under 18 team meets army commander on way back (5)
10 Found to be lacking safety connection (9)
11 Pour down restraint on ticket for future use (4, 5)
12 Missile making a right line (5)
13 Wise men caught by supernatural means (5)
15 Given the job a backward parent indicated (9)
18 Affliction cut down in the Pennines (5, 4)
19 Like party to have property (5)
21 Permit key to become old-fashioned (5)
23 12's launcher has a drawback (9)
25 Military formation not confined to commission (4, 5)
26 Turkish capital letting money go to river (5)
27 Frank has subsequently joined engineers (7)
28 English poet sounds woolly (7)

DOWN

1 Mouth taken to love strong drink with propriety (7)
2 Reproof for addressing . . . (7, 2)
3 . . . bachelor—spelt like this—is fundamental (5)
4 List provided by oriental good at figures (9)
5 Lip everybody has to face (5)
6 A price Pat varies for each person (3, 6)
7 Seat attendant is useless female (5)
8 Gifted object to nothing and marry (7)
14 Cooked soles care for dish (9)
16 A puppet master has to use influence (4, 5)
17 Try one Scots loch for short temper (9)
18 PC takes notes rich in words (7)
20 More crowded close to the Queen (7)
22 Self-starter bird finds grim (5)
23 Shift key in Cornish resort (5)
24 Let it be given a name (5)

SOLUTION TO PUZZLE No. 3,680



Springtime in Dresden

by RONALD CRICHTON

Dresden, former capital of Saxony, now one of the principal cities of East Germany, has decided to add to the large number of annual festivals in GDR. The decision was taken, we were told, largely because while concert audiences have reached and remain at a satisfactory level, opera audiences go on increasing. And so, while the first ambitious and broadly planned programme includes concerts of various kinds (with Karajan and the Berlin Philharmonic making their East German debut) and other interesting things like a film retrospective of the work of the late Walter Felsenstein, the influential director of the Komische Oper in East Berlin, the emphasis is on opera, of the grand, chamber and open-air varieties.

The decision was a risky one, considering that the famous Dresden State Opera associated with Schuch, Strauss, Busch and other great names, was ruined in the devastation towards the end of the war. That theatre is being painstakingly rebuilt. The delay was principally caused no doubt by the priority given to housing, but partly also because of a determination to do the job thoroughly. One of the good things about the culture-conscious side of the present time is that the designers of theatres are at last being granted some of the attention formerly reserved for builders of cathedrals and churches, public edifices, town palaces and country houses.

Gottfried Semper, one of the leading 19th century German architects (he was in London for a time after the 1848 revolution, and his advice was sought by the ever-serious and enquiring Prince Consort) designed the State Opera not once but twice—his first building (not the first on that site) was burnt down in 1869. Later in the century the second building was redecorated internally by another hand. Since the equivalents of what we might call High-Victorian design are now prized again, intensive research is being done in Dresden on Semper's original decoration. Meanwhile the shell is already easily recognisable through the scaffolding.

The stage tower soars, the quadriga over the portico is back in position, the air is loud with the sound of the chipping of Elbe sandstone—this is an official Jugendobjekt. The grandeur of the Neo-Renaissance theatre on its spectacular site confronting the Hofkirche like a rival temple across a wide space above the river can best be appreciated from the windows of the Picture Gallery—another of Semper's creations, closing the courtyard of the already rebuilt Zwinger. Here and more one envies the priority given in European countries to the lyric theatre—think of Covent Garden huddled in a nondescript side street opposite a police station!

While Semper's theatre is rebuilding, opera has to share the two municipal playhouses. The larger one is an ugly, comfy theatre just outside the Zwinger and spoiling (as it no doubt has done for many years) that building's low and delicate lines. The smaller one is an apparently modern, intimate theatre across the river, where Festival visitors were offered a pleasant performance of Paisiello's *Barber of Seville* in place of the promised Wranitzky *Oberon* by a Viennese company which failed to materialise. The so-called *Grosses Haus* is in fact a medium-sized auditorium with an orchestra too small for *The Ring* or *Elektra* but well suited to Debussy's *Pelléas*, *Fidelio* and *Der Freischütz*, all of which were given there in the first week of the Festival.

Of these, only *Pelléas* was new: Debussy's opera was in fact being given in Dresden for the first time. The producer was Harry Kupfer, one of Felsenstein's young Turks, lately responsible for the Welsh National Opera *Elektra*. Rightly, Kupfer used a German translation (an existing one revised for the occasion). The fact that Maeterlinck's play is commonly underrated makes it more, not less, important that it should be understood: though Debussy's marvellously sensitive word-setting is one of the pleasures of *Pelléas*. French was not Maeterlinck's mother-tongue and his original is not sacrosanct. The short phrases slip quite easily into German, though a touch of Teutonic sentimental brutality creeps in to tempt the singers to slow down—Geneviève's reading of the letter became another kind of lecture, while Mélisande's innocent unaccompanied song from the tower was heavy with cosmic grief.

About Kupfer's production there was nothing outrageous or eccentric—much of it was intelligent and effective, but he put his cards on the table too soon. In the early scenes tension was already screwed up almost to breaking-point. Golaud (Werner Haseleu) and Mélisande (Nelly Ailakowa) were both nervous wrecks at their first encounter, Geneviève (Ilse Ludwig) a tightly-corseted Prussian matron (her music speaks of suavity), Pelléas (Reiner Goldberg) a scared twitcher—by comparison old Arkel (Rolf Tomaszewski), a crotchety invalid with crutch *and* wheel-chair appeared almost normal. There is some justification for this approach, but because the producer held so little back the appalling scenes of Golaud's forcing the boy Yniold to spy on the lovers and his subsequent attack on Mélisande in Arkel's presence lost their usual power to shock.

Nelly Ailakowa and Reiner Goldberg

Like other Felsenstein followers Kupfer can handle physical action most expertly. For once Golaud's stalking of the lovers at their last encounter was genuinely exciting on an ordinary will-he-catch-them level. Other episodes which sometimes fail to come off, like the discovery of the blind men in the grotto, were equally well handled. Though the curtain remained up during the interludes, the scenery (by Peter Sykora) was moved about with a quietness now sadly uncommon in London, while there was a minimum of the obscure comings and goings that are a tiresome feature of both the Covent Garden and Glyndebourne stagings of this opera. Oddly enough, the letting-down of Mélisande's hair was clumsily managed. The main — and not inconsiderable — contribution of the conductor, Herbert Blomstedt, was to secure continually warm and tender playing from the Dresdner Staatskapelle without covering a word sung on stage.

As chief producer to the company, Kupfer declares himself against cast changes and the engagement of guest singers. Well and good, but it depends on what singers you have and how much you dare to use them. In the space of four days the tenor Reiner Goldberg sang Pelléas, Florestan, and Max. His Pelléas was promising, with a real awareness of the amount of lyrical music there is in the part. His Florestan had flashes of fire but some forcing, his Max in *Freischütz* sounded understandably morose. Rolf Tomaszewski, an interesting Arkel but a dull Don Fernando in *Fidelio*, managed to save quite a lot of energy for Weber's wicked Kaspar. Nelly Ailakowa, a Mélisande who improved greatly during the performance, was a routine Agathe. I liked the gentle bass of Rolf Wollrad—Rocco in *Fidelio*, Kuno in *Freischütz*, and Bartolo in Paisiello's *Barber*.

About welcome rarities like the Paisiello, one need not be over-particular, but it must be said, in the friendliest manner, that the performances of *Fidelio* and *Freischütz*, though they had their points (the first act of *Fidelio* in a by no means new but still taut production by Kupfer was almost painfully gripping, freedom being no less a matter of concern in the GDR than anywhere else) were not vocally of festival standard. Blomstedt conducted *Fidelio* with a tautness in the first act to match the producer's but not much breadth or finesse in detail. Rudolf Neuhaus was in charge of Paisiello and Weber. At the open-air stage at Rathen, further up the Elbe in the "Saxon Switzerland," where *Freischütz* is often given in summer in a real-life Wolf's Glen, I caught part of Zeller's amiable operetta *Der Vogelhändler*—nicely done, but the super-romantic scenery won.

There was plenty of music to choose from. Dresden's famous Kreuzchor, at the extremely formal opening ceremony, sang unaccompanied motets and part-songs including an example by Schütz, one of the city's great glories. For a first go, the Festival was efficiently organised, though for the comfort of visiting critics there were too many clashes. In addition there were powerful distractions in the form of the art collections. The Porcelain and the "modern" part of the Picture Gallery were shut, but the main part of the Gemäldegalerie was humming with parties of schoolchildren speaking strange Slavonic tongues. The paintings are expectedly superb, but the fabulous quality of the objects in the Treasury or Grünes Gewölbe came as a surprise. There always seems to be a queue outside but it moves quickly although the numbers are controlled so that the objects inside, admirably displayed and lit, can be seen without difficulty.

Covent Garden

Madama Butterfly

Puccini's *Butterfly* arouses mixed feelings in the Japanese, one hears: respect for a token of sympathetic Western interest, and embarrassment at the ludicrous form it takes. In Japan, Western music has been assimilated to a degree of high professional seriousness for decades now, but Japanese sopranos must still chase their statutory Butterflies abroad. Puccini's never-never land is as authentically Oriental as that of *The Mikado*, as exotic to them as to us. The music is of course purest Italian, and it must be cold comfort for a gifted singer to know that she is specially sought for the visual effect she makes.

The Royal Opera's new Butterfly is Miwako Matsumoto, who wears her own costumes with grace. The opera was revived on Tuesday night in the antiseptically pretty sets of Sophie Fedorovitch, and staged by Richard Gregson. Miss Matsumoto does with winning ease what Western sopranos generally attempt with coy self-consciousness; more, she allies unshakeable dignity to fine dramatic cunning, and as the theatrical imbroglio develops she creates her pathos without easy tears. The voice is clear, precise, a little dry; even at the outset it suggests a maturity which qualifies any impression of a mere child-bride, and later she draws upon a darker range to much effect. Musically she sounds well-schooled not especially individual (and her Italian is less than lucid), but her means are more than sufficient for the character.

In this revival, she receives conventionally competent support. The conductor Anton Guadagno blustered roughly through the opening scene, making scarcely any effort to illuminate the quaint musical details of the wedding charade. He warmed to the love duet, and the prelude to the final scene had its Wagnerian roots exposed rather strikingly. Lieutenant Pinkerton was Stuart Burrows, looking hot and uncomfortably squeezed into his uniform, but singing energetically and stylishly after a constricted start. Something tenderer than the self-congratulatory smugness with which he undergoes the ceremony would fix the character more happily: as it is, the ardour of the duet seems to come from nowhere.

Of the other rôles, the reliable Francis Egerton makes much of his properly shifty marriage-broker; Forbes Robinson's Bonze and William Elvin's Prince Yamadori are sonorous stereotypes. Gillian Knight's sturdy Suzuki would gain by more domestic detail, though she brings due weight to the dramatic crises. The Consul of Jonathan Summers is so far a promising sketch, full of sober decency and not much else—he might allow himself a more ironic eye in the early stages, and more elaborated distress in the second act. It is left to Miss Matsumoto to carry the weight of the action, and she does that quite admirably, creating her own little tragedy among these lay figures.

DAVID MURRAY

Trevor Humphries

Miwako Matsumoto

Leonard Burt

Tim Myers, Ellie Smith, Peter Styles, Mike Fields, and Linda Dobell.

Round House

Big Sin City

by MICHAEL COVENEY

One day someone will initiate an award for the Worst British Musical of the Year and then shows like *Big Sin City* will have arrived. While it does not quite make *Fire Angel* look like *Oklahoma!*, it is not far off doing so. The sin city in question is a place of coloured lights floating indeterminately in the wake of TV light entertainment where a hapless pop singer treks through a not very nasty underworld in search of his beloved Dolores. When he finds her he is not even gentlemen enough to share the microphone, with the result that old Dolores dies, quite literally, speechless, as a rival hoodlum sticks a knife in her belly.

The pop singer is befriended by Jack Wild as Slic in a three-piece suit, a character modelled on the Artful Dodger in Bart's *Oliver!* in which, of course, Mr. Wild made his name. The musical-spotting game does not end there. Sin city is populated by two rival gangs in a faint acknowledgement of *West Side Story* and a pasty-faced Disco Kid is an echo of the emcee in *Cabaret*. Having gone thus far, the script throws in fatuous send-ups of The Fonz in TV's *Happy Days*, Mae West, Starsky and Hutch, Elvis Presley and the punk rockers. No human life is there.

Mr. Wild squeaks away like an upstart Archie Andrews, vainly trying to control our wandering attention, while a rock band perched on high thuds tediously away at a score bereft of charm, talent or melody. The whole sorry affair, credited to a fraternal trio of Neil, Lea and John Heather, is a dismal tribute to the unacceptable face of British showbiz where the Eurovision Song Contest reigns supreme and everyone jives away as though auditioning for the part of Lionel Blair.

The director is Bill Kenwright. Of his company, only Michael Price as Al, given the one marginally acceptable song of the evening, "I'll Be Man," makes any kind of impression. I am not convinced that it is a good one (better, certainly, than Su Pollard's of Mae West) but at least he comes across. And that, in a contemporary British musical, is something.

Books page will appear in tomorrow's paper.

Royal Ballet programme changes in July

The Royal Opera House has announced that a further change has had to be made to the advertised programme of the Royal Ballet during July. In addition to the reversal of *Anastasia* and the triple-bill originally scheduled for July 17 and 20, the performances of *The Firebird* on July 22 (matinee and evening) have been replaced by *Four Schumann Pieces*.

The cast at both performances is scheduled to be Anthony Dowell, with Lesley Collier, Jennifer Penney, Wayne Eagling and Julian Hosking. The rest of the programme: the Divertissements and *Elite Syncopations*, will remain as previously announced.

The programme change has been made to accommodate revised plans from the television companies involved in the transmission in the United Kingdom and in the United States of America.

Open Space

The Ball Game

You couldn't ask for a better light comedy company than the cast of Tom Thomas's *The Ball Game*. Even, I suspect, the faction that denies that English actors can play convincingly in American will be won over, though only one of the company, Don Parker, is anything but English.

But I was anything but won over by the play. It belongs more or less to the school of Neil Simon, but more unlikely and more dirty. I've nothing much against dirt when it's funny, but Mr. Thomas's level can be gauged from the line, in a discussion about tobacco-pipes, "Daddy had a big one," played purely, or impurely, for its double entente.

There is a level of unlikelihood, too, beyond which I am not happy. The scene of this play is set in a respectable Pittsburgh apartment on the 20th floor, inhabited by Barry and Janis (John Bird and Maureen Lipman) and their teenage son Skipper (Nigel Greaves). Outside, hell is raging, for the Pittsburgh Pirates have just won the World Series. "Someone was knifed in the street." "Who?" "What difference does it make?" Our football hooliganism evidently has a long way to go before reaching its baseball equivalent.

Well, first thing, Janis wants to go down to the street for a minute to see how it feels. When she comes back she has been raped by ten men, and Barry insists on her giving a detailed account of it into his tape-recorder. Meanwhile, some neighbours have come in, Henry and Phyllis, bringing their mother, who is aching to go to the toilet. Left there for the better part of an act, she is found to have soiled the entire room from ceiling to carpet.

Time to let the hair down. Henry has a sexual fantasy; he always wears a Superman costume under his clothes. Phyllis has one too; she likes her sex on the television while it shows the Johnny Carson show. At the end of a sequence of absurdities laid on with a trowel, Henry (Don Parker) is in his costume; Barry and Phyllis (Deborah Norton) have exchanged clothes; Janis is dressed as a nun; and Skipper, who prefers training as a beautician to watching baseball, has devised an immense hair creation, complete with twinkling lights, for the old lady (Ann Way).

The more improbabilities the author poured out the less involved I felt. Looking back, I feel sorry about this, for until he runs wild, about halfway through Act One, Mr. Thomas shows talent. But one absurdity after another is not a good formula for a farce. The best thing to do with *The Ball Game* is to take it to pieces, sort out the good lines and the good situations, and write it all over again.

B. A. YOUNG

Festival Hall/Radio 3

Berkeley Symphony

Lennox Berkeley's Fourth Symphony, commissioned by the Royal Philharmonic Orchestra, had its first performance on Tuesday under Charles Groves, bringing to a climax the composer's 75th birthday celebrations. Almost a decade and many other first performances separate the work from the Third Symphony (1969), a short, single-movement span which seemed to indicate a newly sinewy strain in the composer's musical thought. Now Berkeley has returned to test further the gains and discoveries made in the earlier work.

The Fourth Symphony is in three movements of classical shape and influence (despite the absence of a key signature in the first two movements, it is really a Symphony in E-minor and major in the outer movements respectively, A minor in the middle). In the *Lento* introduction to the first, the bass clarinet theme, quietly curling around a semitone before stretching itself upwards, holds the store of material dominating the ensuing *Allegro*. In the middle movement five distinctively contrasted variations are drawn from a theme of slow and muted lyrical character, with the suggestion in the string part-writing and in the harmonies of a Tudor fantasia. The finale is a kind of Rondo—"kind of" does scant justice to the concision in the way the composer has compressed classical forms, both here and in the first movement—whose tone of restrained optimism is contradicted by pensive central episodes.

Berkeley's music is difficult to write about—always easier to describe in outline than to pin down in intention. The familiar adjectives are elusive, elliptical, reticent; their use implies praise, both for the precision of the composer's craftsmanship and for the subtle manner of its employment. And perhaps this also implies a criticism, at least in the context of a symphony: for there a central unwillingness to claim the listener's attention, by force if necessary, to hammer out an argument by demonstrative physical gesture, as well as by thoughtful patterning, begins to feel like a limitation. There are episodes in the Fourth Symphony of discreet, understated beauty—the middle movement, especially, carries an air of poetic refinement in its match of material to orchestral colour. But there is about the outer movements a certain shortness of breath, and about the work as a whole a lack of sweep and kinetic force, of dynamic energy and combat, that ultimately overrides the careful symphonic construction.

The performance was confident, decent in intention, convincing in an externalised way. I hope that in its second performance the work is phrased with greater suppleness and consideration for the melodic contours, and that the dynamic markings are more closely followed.

MAX LOPPERT

Sadler's Wells

Caracas Ballet

The Ballet Internacional de Caracas is just over two years old. At its first London showing on Tuesday we could appreciate the extreme dedication shown by the dancers. And then pause to reflect that within the short space of its existence the company has acquired a repertory, and what is clearly a strong ensemble feeling among its 22 members. Which must serve as a preamble to the fact that most of the dances on show prove, once again, that choreographers are very, very hard to come by.

In Vincente Nebrada, artistic director and chief creator, the company has an efficient choreographic craftsman: his *Our Waltzes* to an undamnable torrent of banalities by Teresa Carreño, stands in the shade cast by Robbins's ballets about dancers and a piano, but it is neatly made and shows off its cast well. The piano used last night was a brute; the girl's dresses are cut to reveal their armpits, but the cast of ten believe totally in what they do, and a danseuse in red, whom I take to be Marielena Mencia, has mercurial speed and a lovely lightness.

Nebrada's other work on the bill, *The Moon and the Children it possessed*, is *le menu touristique*, and spends much of its time whipping itself and its cast into an ethnic frenzy before collapsing into the direst cabaret roguishness. It offers a series of incomprehensible dances led by Zhandra Rodriguez, the company's ballerina and a dancer of lithe brilliance whom we knew with American Ballet Theatre. In this, and in a predictable duet by John Neumeier entitled *Ariel* (sprite, or detergent, or aid to broadcast reception is nowhere clear) which battens upon an adagio from a Mozart piano concerto, Miss Rodriguez is seen as a dancer of distinction.

She also appears with an immensely willing cast, in Margo Sappington's *Rodin mis en vie*. This presumes that Miss Sappington's choreography can bring anything to life: its effect, for me, was to suggest that only the brief moments which copied the poses of Rodin sculpture had any artistic vitality.

CLEMENT CRISP

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897

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Thursday June 1 1978

Uncheerful outlook

THE NATIONAL INSTITUTE'S latest *Review* presents what is, in its own words, a gloomy picture of the economic outlook for the UK in the rest of 1978 and, more especially, in 1979. The picture would probably have been more gloomy still if it had been painted in the light of the latest information available. In the first place, the NIESR estimate of capital investment in industry might well have been revised downwards if its forecasters had been able to take into account the sharp drop in the official statistics of expenditure in the first quarter. The high level of investment intentions in relation to the likely growth of output has puzzled many observers: the recent drop in actual investment chimes better with forecasts based on past experience and with the growth of pessimism about business prospects reflected in recent surveys made by the Confederation of British Industry.

In the second place, the *National Institute* sets the scope for UK government action to improve the outlook firmly in an international setting. It will be strictly limited in any case, but it will be very small indeed unless the leading industrial nations can agree on concerted action to achieve a faster rate of world trade and growth. This forecast seems all the gloomier for being *published* at a time when the Economic Policy Committee of the OECD seems to be demonstrating that its members are more united on principle than on any course of practical action.

The dilemma

The dilemma which the National Institute (and it is not alone in this) finds itself unable to bypass is the difficulty of maintaining a faster rate of growth without stoking up inflation or worsening the balance of payments. This year, indeed, it foresees a "brief recovery" in demand and output led by higher consumption and investment. But the growth of GDP this year is put, even on slightly dated assumptions, at only some 3½ per cent, with unemployment levelling out only slightly below its present level.

The balance of payments is expected to improve (as, in fact, it already has) from a poor first-quarter average but to produce a current surplus for the year only half the size of an official expectation which has itself been halved. The balance should be better in 1979 on unchanged policies, but this goes for the industrialised countries as a whole and largely at the expense of developing countries with no oil resources.

The balance of payments is almost the only feature of the economic situation which the Institute expects to improve without intervention during 1979. Consumer demand will virtually flatten out, especially if the savings ratio recovers from the expected fall. The rise in average earnings will fall only from 15 to 12 per cent. in the next pay round—twice as much as needed to keep inflation in single figures—and will work with a slowly-depreciating exchange rate to push the annual rate of inflation next year back to 11-11½ per cent. GDP will grow by only 1½ to 2 per cent next year, and unemployment will begin to move slowly up again.

Bonn summit

The main reason why the National Institute does not, in these circumstances, recommend unilateral UK action to maintain the growth of demand is our high propensity to import. A further stimulus of consumption would probably cause a sharp drop in the expected balance of payments surplus (which itself depends on North Sea oil) unless there were a deliberate drop in the exchange rate; and either course would tend to push inflation higher still. From a monetarist point of view the prospect is slightly worse than this. Although the National Institute believes that the Government can meet its monetary targets with the help of some further rise in interest rates, its calculations imply a growth of Domestic Credit Expansion even in 1978-79 which is considerably faster than the commitment to the International Monetary Fund.

The UK, in short, is and must remain an economy particularly dependent on the state of world trade and business activity. Whatever minor disagreements there may be about specific forecasts, nobody can quarrel with the conclusion that domestic economic policy will be circumscribed in 1978-79 by the degree of success reached at the Bonn summit meeting in July. And that in itself, as the markets noted some time ago, has implications for the timing of the next general election.

The rewards of productivity

BETWEEN 1963 and 1973 the chemical industry in the U.K. increased its output per head by 8.7 per cent a year, the motor industry by only 1.9 per cent. The chemical companies raised their employees' wages faster than the car makers, but showed a much better performance in gross output, in unit labour costs and in price stability. If the reasons for these differences in performance between one industry and another were more fully understood, then perhaps the key to a virtuous circle—high productivity, high wages, high exports, high investment—could be found.

Definitive answers are elusive, but some useful light on the problem is shed by a new study on trends in employment, productivity and labour costs between 1950 and 1973 carried out by the Department of Employment's Unit for Manpower Studies: the main findings are published in the May issue of the Department of Employment Gazette.

Employment

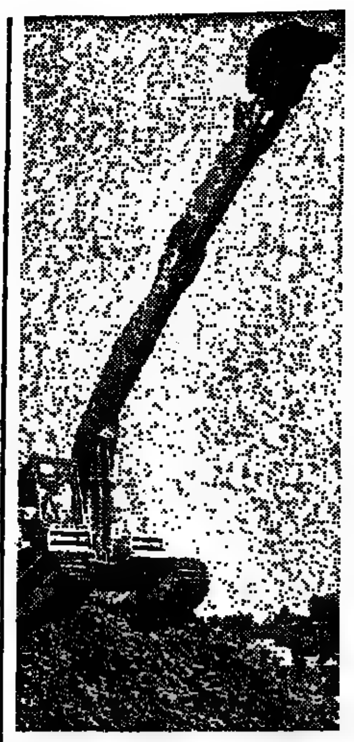
The study shows a general tendency for industries either to do well on all measures of performance or to do badly: industries with above average growth of labour productivity also experienced above average growth of output and employment and below average growth of labour costs and prices. But the statistical correlation between productivity and employment growth is apparently much weaker than in the period between 1924 and 1950, for which a similar study was undertaken some years ago. The earlier study found that industries with the highest levels of productivity growth also experienced the highest rates of employment growth. No such relationship was found for the 1954-73 period, although the later study provided no evidence that productivity growth leads to a general decline in employment: while this may be true of particular sectors, it is not true for all industries.

Another interesting difference concerns the relative importance of the movement of labour from low to high productivity growth industries, as opposed to productivity growth within industries. The earlier study showed that 50 per cent of the total growth of labour productivity in 1924-50 was associated with shifts of employment between industries. The results for 1954-1973 show that while labour productivity grew by 117 per cent, only 10.3 per cent was due to employment changes. This may reflect the greater obstacles to labour mobility which have grown up in the past twenty years and which have been reinforced by recent legislation.

The new study confirms that the level of capital investment is not the primary determinant of labour productivity. Only 27 per cent of the differences between industries in labour productivity growth can be explained by inter-industry differences in the growth of capital per head. "It would appear," the authors say, "that increased efficiency in the use of existing capital and labour contributes just as much to raising produc*tivity growth as the addition of* new investment. This does not mean that increased investment is unnecessary but that the full benefits of this investment will not be attained until changes in practices and methods of production raise all-round efficiency."

Attitudes

A greater willingness to accept these changes, and greater labour mobility, are two of the necessary conditions for an acceleration of productivity growth. But how are these changes of attitude to be brought about? One small ray of hope is the finding that industries with above average productivity growth also achieve higher than average increases in earnings per head. If this differential can be enlarged, despite trade union pressure in the opposite direction, the outlook for productivity will be a good deal brighter.



Construction equipment: hard dig out of recession

By KENNETH GOODING, Industrial Correspondent

THERE WAS an atmosphere of desperation among the European manufacturers of construction equipment who gathered in Paris last week for a major international exhibition. They face so many problems and have suffered so severely during the recession that finding something positive and optimistic to report gave them great difficulty.

But the French came to the rescue. They were able to point to the results of some recent work they commissioned from the BIPE market research organisation. It concluded that international trade in construction equipment would grow at an average annual rate of 8 per cent in the years to 1985 compared with a 6 per cent growth expected for total trade.

This caused raised eyebrows among the British in particular as this 8 per cent forecast is right in line with what they themselves were expecting in 1976. In the light of the past couple of years' experience, however, the British have adjusted their expectations downwards.

In the 18 months to the end of 1977 the UK construction equipment manufacturers saw absolutely no growth in demand for their products and output remained at about £800m a year. There have been redundancies and short-time working has been, and still is, commonplace.

The French also have been scattering statistics to show how badly they have fared. Last year production fell by 7 per cent from the 1976 level to FFr 6.9bn (roughly £800m) and, since the peak period of demand in 1973, employment in the French construction equipment industry has fallen by 15 per cent.

The West Germans dropped broad hints that life has been even tougher for them because the Deutsche Mark is so highly valued compared with other currencies, making exporting that much more difficult. However, they managed last year to keep output at around the DM 5.29bn level (£1.37bn).

In the face of completely lifeless home markets, the Europeans have been exporting as never before. But competition in the "active" markets has, in the words of one protagonist, "to be experienced to be believed."

It is not just the Europeans who have been under pressure. In 1977 Caterpillar, which dominates the industry with 50 per cent of total world sales, pushed sales outside the U.S. up only marginally from \$2.945bn to \$2.966bn. Komatsu of Japan, second in the construction equipment league with a 10 per cent world share, managed a modest (for Komatsu) 5.2 per cent sales increase to Y424.46bn (\$1.9bn) last year.

The major (published) disaster story to emerge from the industry so far has involved Massey-Ferguson — one of the top six manufacturers—which reported in February estimated losses on its construction equipment business of \$60m last year.

M-F, at one time mainly an agricultural machinery business, has been investing heavily in construction equipment manufacture in recent years and has plants in Akron, Ohio; Brazil, and Aprilia, near Rome. Its *major investment was the 1974* purchase of Hanomag, a West German concern operating from Hanover.

M-F is currently carrying out some studies to discover the exact amount of losses on construction equipment in recent years. This is not an easy task because of the high degree of integration of manufacturing and marketing operations for the farm industrial and construction machinery lines.

The outcome of the studies is of great significance to the European scene because the heart of M-F's construction equipment operations is at Hanover. There seems very little likelihood that these operations will be cut severely and none of its rivals appears to believe M-F would contemplate a complete shut-down of its construction equipment business.

The construction equipment plants take Perkins engines and other expensive components from other M-F divisions and the cumulative impact of closure on the rest of the group would be substantial. And would it be politically feasible for a multi-national like M-F to close down recently acquired, major plants?

M-F took a great deal of space to display its equipment at last week's Paris show, called "Expomat," and it certainly gives the impression of "business as usual." Indeed, the M-F Board has pledged that the distribution and development of construction equipment would be "*fully supported*" while the studies were being carried out.

Of course, a big cut-back or closure by a major group like M-F would make a lot of difference to the over-capacity problems the industry faces at the moment. It is debatable whether it would do much to halt the seemingly inexorable rise of the multi-nationals, which in the past 15 years have changed the face of the construction equipment industry to the detriment of the small companies.

The Committee for European Construction Equipment (CECE), representing manufacturers in seven countries, points out that Europe ranks second only to the U.S. in output terms and produced around £3bn worth of construction equipment last year. And, because the U.S. manufacturers export a relatively low percentage of their production, Europe is the world's major exporter.

But the CECE statistics disguise the fact that the £3bn turnover has to be shared among 800 European manufacturers. How are they to compete with the major groups in such things as research and development? Compared with the annual \$9m spent on R and D by the UK companies, Kotmatsu spends around \$28m and Caterpillar \$94m.

There has been much chatter among the Europeans about possible technical co-operation deals and about swapping or sharing R and D facilities. It seems that the concept of full-blooded mergers between companies from different European countries is not being given much consideration. To start with, the companies themselves are often very individualistic and fervently wish to preserve their independence. Then the current mood in the EEC seems to put international mergers out of favour—or so the ban of the GKN-Sachs motor components merger would suggest.

> '. . . a degree of industry restructuring may be needed in the UK-owned sector . . .'

The British manufacturers are typical in this context. For the past three years, since the start of the Government's industrial strategy programme, heavy hints have been dropped by the Department of Industry and National Economic Development Office officials that some reshaping of the UK industry was necessary. Indeed, the latest paper from the industry's sector working party, published in March, suggested that if the 1980 targets were to be achieved "and for some UK companies to survive thereafter, a degree of industry restructuring may be needed in the UK-owned sector to ensure that sufficient financial resources are available."

But in spite of all this jollying along, the UK part of the industry shows absolutely no interest in the merger concept—be it mergers within Britain or a pan-European get-togethers.

Many companies have shrunk during the recession, but they are still there, and survival is their main preoccupation.

However, some of them are also currently agitated about another topic—the prospect of Komatsu setting up a European manufacturing base in Britain. Mr. Kenji Sakai, president of Komatsu Europe, said in April that a decision about this would be made by the end of the year.

So far, apparently, there has been no formal approach by the Japanese to the UK Government. But already some British manufacturers have told the Department of Industry in no uncertain terms that Komatsu should not be allowed in.

On the face of it the protest is a little illogical in that other multi-nationals, notably Caterpillar and International Harvester, already account for about half of UK output. But the British-owned manufacturers maintain that the Japanese have a reputation for tearing down price structures whenever they enter a market in a serious way. Makers of equipment in large volume are particularly concerned about Komatsu's plans. "The problem is," explained one British executive in Paris, "that the Japanese appear to want only a 2½ to 3 per cent return on their investment whereas my parent company is looking for 15 to 20 per cent."

So far it is not possible to forecast just how fierce the opposition to Komatsu will be among the British. But there is little doubt that the group will set up in Europe. Its main incentive is not so much the avoidance of discriminatory import regulations but the need to cut transport costs. High-added value items like engines and some other components would still be shipped out of Japan but most of the components such as heavy castings would be made in Europe.

As well as the UK, Komatsu has been looking at potential sites in Belgium, Holland and West Germany. So the proponents of Komatsu's possible entry into Britain can argue that, if the group does not settle in Scotland, it will simply set up somewhere else on Britain's doorstep. "Even if, as seems very unlikely, every European country kept Komatsu out, it would simply find a base in the Middle East and supply Europe from there," was one comment.

It is not only in Britain that the Japanese manufacturers find themselves at the centre of controversy. Throughout Europe there is resentment about the way Japan is making headway into most of the world's important markets yet at the same time keeping its own doors tightly shut against imported equipment.

Dr. Heinz-Gunter Kohlen, a director of Orenstein and Koppel (O & K) of West Germany and current president of the European committee (CECE) complained: "Japan is at present a closed market. This has to be stopped. The Japanese must be made to understand that trade is a two-way operation."

Dr. Kohlen has just initiated talks with representatives of the American manufacturers and has persuaded them—without much effort—to join forces and put pressure on the Japanese to open up their market for construction equipment. Tactics will be finalised at a meeting in Chicago either late in June or early in July.

Meanwhile, it is hoped the Americans can raise the subject at the current round of GATT negotiations.

This latest bid to get the Japanese to bow to the concept of "equal opportunity" in trade is more about a matter of principle than about opening up a tremendous new market for the European construction equipment makers.

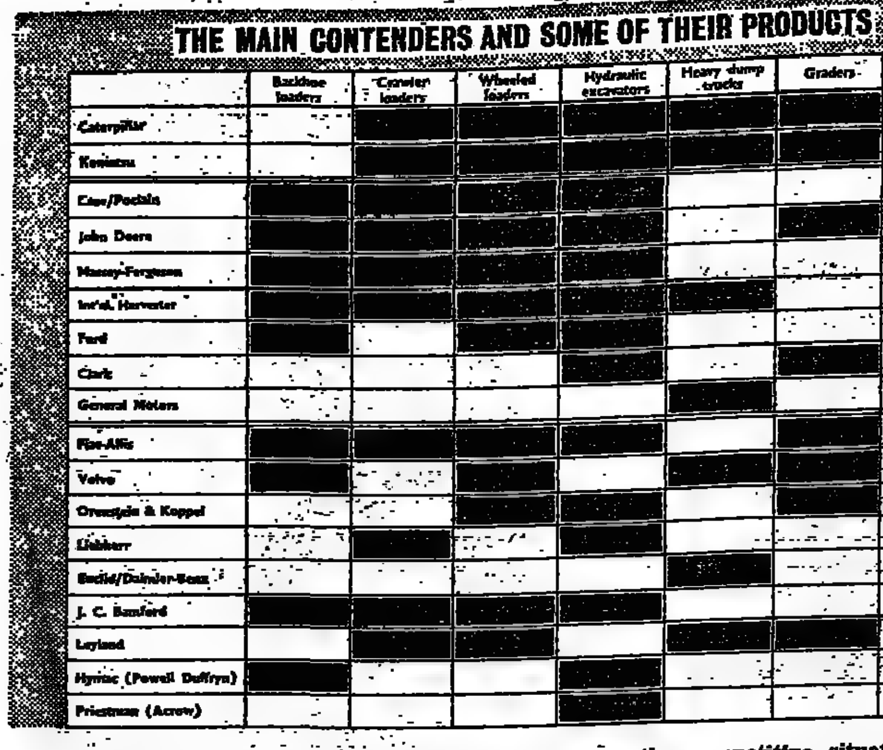
The feelings of many UK manufacturers were summed up in the comment: "I wouldn't sell a thing to Japan. They would only copy it and sell it back to me made better and more cheaply."

What of the immediate future? The British are very reluctant to make any forecasts at the moment because changes have been so sudden and unexpected in the past couple of years. The order intake has often picked up, only to falter and fall away again.

But if you press the point and ask how a company's fortunes compare today with the same period last year the answer invariably comes back "much better."

Continued growth in world population and further improvements in living standards will create increasing demand for energy, food, housing, minerals and transportation. More and more construction equipment will be needed to cope with this demand. As Caterpillar's president, Mr. Robert Gilmore, pointed out recently, world economic output must increase by more than 50 per cent in the next 25 years to provide the equivalent of today's living standards to the population which will inhabit the earth in 2000 AD.

However, what the European manufacturers have very much in mind is that nobody can guarantee them a fair share of this future growth in demand. It will require some dramatic changes if the multi-nationals are to be prevented from increasing their domination of the industry.



The above chart, though not comprehensive, illustrates the competitive situation in some of the main sectors. There is a wide range of products within each sector, so that in, for example, wheeled loaders, companies may specialise in the heavier machines, and not compete directly against those offering *only* smaller equipment.

MEN AND MATTERS

Close watch on Eminent Persons

*Blood pressures in the board*rooms of some big international companies are likely to leap in the next day or so, with the publication in Zurich of a heavily-documented report on "The Infiltration of the UN System by Multinational Corporations."

The report has been prepared by two liberal groups, the Bern Declaration and the Europe Third World Centre. It is composed largely of letters and memoranda that circulated among the managers of Switzerland's largest multinational corporations (including Nestle, Ciba-Geigy, Sandoz, Hoffman-la-Roche, Sulzer and Brown-Boveri) a few years ago. They document how these companies created a committee to lessen the possibility that a UN-appointed "Group of Eminent Persons" might make some severe recommendations to regulate the operations throughout the world of multinationals.

The Group's recommendations were, indeed, rather meek and mild: proposals for a permanent UN body to oversee multinationals were rejected. The Zurich report claims that these developments were due to the efforts of the committee.

Two leading Swiss, connected with members of the committee, were appointed to the 20-strong Group of Eminent Persons: one was Arthur Fürer, then general manager and today managing director of Nestle: the other was Hans Schaffner, a former Swiss Federal Councillor who served as Economics Minister from 1961 to 1969, and who is now vice-chairman of Sandoz.

The Food and Agriculture Organisation supplied material for the Group. The Swiss committee's own report on multinationals was accepted as an official FAO document, via a body called the Industry Co-operative Programme, which at that time represented "agri-business" within the FAO. The companies' top-level committee also devised a strategy to counter the leading critics of multinationals, among them former EEC Commission President Sicco Mansholt (also an Eminent Person).

One aspect which will raise a few eyebrows is the way Schaffner, nominated to the Group as a governmental representative, was in close contact with the companies' committee while the Group was hearing evidence. The document also reveals an active co-operation between top Swiss government officials and Nestle and other private firms in efforts to take the sting out of the UN investigations.

Just the man

Chief executives nowadays use variety of techniques—even handwriting analysis—for choosing their successors. Sir Max *Bemrose was explaining yester*day that when he decided to relinquish the chairmanship of the Bemrose Corporation, the best idea seemed simply to ask senior managers which of them wanted the job.

He told me how he first packed each manager off for three days of intensive management therapy. A five-day session with the American Management Association had convinced him that behavioural science and the study of management philosophy could revitalise the group.

The managers were asked to write a report on their experiences and, six months later, describe how they had implemented their ideas. Sir Max, who retired yesterday after 25 years as chairman, says that some did not bother to reply and that by far the best report came from David Wigglesworth, then the new divisional manager of the flexible packaging group.

Sir Max relates how when asked if he wanted the job of Chief Executive, Wigglesworth turned it down. But six months later—in what Sir Max describes as a classic reversal—Wigglesworth applied for the job. He was duly given it. *As a foot*note to this anecdote, I might add that on December 31 last year, Wigglesworth by himself and as trustee had 133,621 ordinary shares in the company, only just less than Sir Max, as well as 48,000 Special Ordinary Shares. His mother was a Bemrose.

"As far as I can tell it's a plea for bail . . ."

Dutch treat

A bold attempt to switch industrial investment away from Britain to mainland Europe takes place in Manchester today. At the city's Chamber of Commerce, local industrialists will be wooed by development officers and bankers from Limburg, an area of southern Holland, which juts down into Belgium and is flanked by Germany. As well as financial inducements, the state-backed NV Industriebank LIOF is offering joint venture capital. It takes up to 50 per cent of the shares in a new business, with an undertaking to sell them back at purchase price plus an interest fee five or ten years later.

Bank chairman Pieter Niessen admits that Limburg's unemployment problem, caused mainly by the run-down of local coal mining, is tiny compared with that of Greater Manchester. There are about 19,000 unemployed men in Limburg, concentrated in two or three towns; nearly a quarter are over 50 and have opted for early retirement. The Greater Manchester area, on the other hand, has six-figure unemployment and is getting special government support.

Fighting fit

If energies ever flag at board meetings of property company Brixton Estate, there will be no shortage of war stories to stir the blood. The company's newly-published 1977 report lists the re-election of Marshal of the Royal Air Force Sir John Grandy; his fellow directors include Rear Admiral the Earl Cairns and Major General Sir Gerald Duke. The chairman, Michael Verey, was himself a colonel in the Warwickshire Yeomanry during the war.

Hard sell

A reader who was recently in Greece tells me that while buying a copy of the Financial Times near his house he pointed out to the shopowner that a sign in his window was rather misleading. "It says 'All London newspapers sold'," he told him, "and some people might take that to mean that you had none left." The shopkeeper thanked him for the information, and later in the day there was a new sign in the window: "All London newspapers not sold."

Observer

FINANCIAL TIMES SURVEY

Thursday June 1 1978

KENYA

Political stability and a high rate of growth have given Kenya the reputation of a Third World success story. But it has now entered a more difficult stage of development and faces some tough political and economic decisions.

No more soft options

By Martin Dickson

"FACED WITH major problems, it is natural for policy makers to think of the easy or soft way out. It has, ladies and gentlemen, taken us the last few years to accept that the era of soft options is over."—Mwai Kibaki, Minister of Finance and Planning, January, 1978.

These words go to the heart of the major challenge now facing Kenya and form the theme of this survey. Over the next few years the country will have to face some very tough decisions across the board—economically, socially and politically. Mr. Kibaki's remarks—made at a conference of top Kenyans to discuss the future of the country—show that many government leaders are aware of the problems facing them. It remains to be seen whether they have the political resolve and economic means to translate grand sounding words into effective action.

Since independence in 1963 Kenya has chalked up a highly impressive list of achievements. Its GDP has grown faster than virtually any other non-oil producing African State. Jobs held by white expatriates have passed relatively smoothly into Kenyan hands. Farms formerly held by British settlers have been redistributed to Africans, by and large in an orderly fashion, and the country has built up one of Africa's best *smallholder agricultural sectors* (although there is much that can still be done here).

All these achievements have been underpinned by the country's stability, attributable largely to the political acumen of President Kenyatta, whose personal magnetism transcends narrow ethnic loyalties. This, coupled with his careful balancing of tribal representatives within his Cabinet, has gone a long way to defuse latent ethnic frictions.

Yet if Kenya's reputation as a Third World success story is superficially symbolised by central Nairobi, with its heavy emphasis on material goods and its free-wheeling capitalist atmosphere, the polythene covered shanties on the outskirts of the city point up a different lesson.

There is a wide gulf between the have-nots and the small, rich elite of Kenyan society. It may be no worse than in some other African countries, but that is little consolation to the poor. What matters is that there is considerable grassroots resentment over the amassing of wealth by the elite, some of it by highly questionable means.

Some of the Government's policies since independence—such as Kenyanisation of jobs and land reallocation—have *acted as a political safety valve.* But there is now not that much more land to reallocate nor many more jobs to Kenyanise. With tougher economic times ahead, there can be no guarantee that this safety valve will continue to work. There can be no room for complacency.

The challenges facing Kenya have in many respects been visible since the early 1970s (and have been well described by the International Labour Office and the World Bank) but they have now crystalised more clearly than ever.

Central to them is the need for a more equitable distribution of wealth. This is accepted Government policy, but there are powerful vested political and economic interests which could militate against achievement of the goal.

Moreover, this policy has to be pursued against a short-run backdrop of looming balance of payments constraints (which the tea and coffee price booms of recent years have delayed but not averted) and a rate of inflation which is at present causing concern, particularly since much of it is domestically generated.

Much of Kenya's high rate of development since independence results from the greater utilisation of resources which are relatively easy to exploit, such as land of high agricultural potential. This is one of the things Mr. Kibaki was referring to when he spoke of past "soft options"—though in fairness to Kenya it should be said that while the options may have been simple to choose, implementation was not necessarily easy.

The country is now entering *a much more difficult area of* development, where the returns are likely to be lower. And a lower growth rate will make more difficult the policy of "redistribution through growth"—the more equal distribution of future income increments.

Seriously

At the same time, the Government has to address itself more seriously than in the past to two particularly thorny long-term issues: a very high population growth rate (officially put at 3.5 per cent a year), which Government policies to date have proved ineffective in dealing with, and concomitant mounting pressure on the land. Kenyans, like most other Africans, have an almost mystical attachment to the land and believe that it is every man's right to own a plot. Leading Kenyans tell you that, with good land *in short supply, it will* be *necessary* to disabuse people of this notion. But it is difficult to put across this message when the landless man can see estates in the hands of the very people preaching to him. To highlight these problems is not to say that Kenya's future looks grave. Its people are remarkably resourceful. But economic restructuring is intimately bound up with politics, and it is in the latter sphere that many of the most difficult decisions will have to be faced.

International politics are already having an impact on the development process. Kenya is now more isolated from its neighbours than at any time since independence, with the break-up of the East African Community last year and turmoil in the Horn of Africa. Fears of a Somali invasion of North East Kenya (similar to Somalia's abortive drive into Ethiopia's Ogaden) have forced the Government into much higher defence spending, which is going to have an impact on the balance of payments.

As regards domestic politics, the prime issue of debate ends in an unanswerable question: What will happen to Kenya after Kenyatta? Given the importance of continuing stability, this is perhaps the most crucial single challenge facing the country.

The President is still firmly in command but he is now well into his eighties. The Kenyan constitution is clear on what would happen in the event of his death: the Vice-President, Mr. Daniel Arap Moi, would take the reins of Government for 90 days, during which time elec*tions for a new President* would be held.

However, during the past two years this formula has been challenged in a manner which points up the *jostling* for power within the elite and the coalescing of two loose, rival factions—one centring on Mr. Arap Moi, widely considered to be the front runner in the succession stakes, and the other on Dr. Njoroge Mungai, President Kenyatta's nephew.

These rivalries came clearly into public view in late 1976, when politicians associated with Dr. Mungai proposed that the constitution be changed so that the Vice-President would not take over for the 90-day period. Instead, a neutral figure, perhaps the Speaker of Parliament, should head a caretaker administration.

The movement was halted—at least publicly—when Mr. Charles Njonjo, the Attorney General, declared that the debate touched on the health of the President and that discussion of this was a crime that could be punished by death. Mr. Njonjo, one of the key figures in Kenyan politics, is close to Mr. Moi, as is another of Kenya's most impressive politicians, Finance Minister Kibaki.

Although shifting in nature, these two broad alliances still exist. They are based on a multitude of factors, some overlapping and some conflicting, with very little, if any, ideological base. The factors include traditional strong competition between members of the Kikuyu tribe from the southern Kiambu district (the President's *home area) and those from the* north; rivalry between those in the political ascendant (the Moi group) and those challenging them; and perhaps most important of all, personality factors. Cutting across all these issues are elements of straightforward political bandwagon jumping—members of the politically dominant Kikuyu and factions within other tribes associating themselves with whichever team they believe will emerge on top.

Olympian

For example, a feature of this jostling is an apparent, though shadowy, flirtation between the "change the constitution" group and followers of Mr. *Oginga Odinga the veteran Luo* politician, who left the Government and ruling party, the Kenya African National Union (KANU), in 1966 to form the Kenya People's Union (KPU), which was banned in 1969 during the unrest which followed the assassination of his rival for the Luo leadership, Mr. Tom Mboya. Mr. Odinga still commands widespread support among the Luos, who remain divided, but to date the authorities have frustrated his attempts to make a political comeback.

Competition between the two power groups was a feature of the strong campaigning last year within KANU in preparation for elections for the party's top posts. The Moi group had been widely expected to sweep the board but the elections were called off without explanation at the last minute, after delegates had begun assembling *in* Nairobi. Some say the postponement was due to President Kenyatta being temporarily indisposed, others suggest that he would not have wanted to preside over intra-party bickering. But whatever the cause, the fact that the elections have not been held subsequently means that the Moi group has not been able to formally consolidate its posi*tion.*

General elections for parliament are due to be held next year. If they take place, they will provide an important test of the standing of the two groups. At present, Mr. Arap Moi still appears to maintain his lead over potential rivals. He has put in a great deal of effort touring the country, canvassing grass roots support. As a member of the minority Kalenjin group of tribes, and having the backing of some powerful Kikuyu members of Government, he is well placed to appeal above ethnic particularism.

For his part, President Kenyatta remains Olympian, seemingly above these manoeuvrings, having consistently refused to name an heir apparent or overtly take sides.

Prognostications about the future stability of the country vary immensely, but a wide body of opinion believes that too many people now have a vested interest in the system to allow it to be disrupted—not only people at the top, but the smallholder tea and coffee farmers of Kikuyuland who have benefited particularly from the boom in these commodities.

While obviously of importance, these jostlings for power are in a sense a side issue to a central challenge facing Kenya—to what extent can entrenched political interests accommodate change. Little can be expected in the short term, but a future administration might well wish to establish its credentials and popularity with a more populist programme. But just as vested *interests may prevent future* instability, so may they thwart fundamental change.

Kenya is, after all, a country remarkably devoid of overt ideological disputes. Although a vocal minority at Nairobi University espouses radical causes, many Kenyans seem geared to achievement within the existing laissez faire framework. But there is no way of knowing whether more radical ideas are circulating among the discontented.

During the past few years the authorities have not shown themselves to be benignly disposed to those few politicians who have questioned the ordering of society. Although some lively debates still take place in the Kenya Parliament, it is not the place it once was. Some of the most critical MPs are now in detention and others are silent, fearing that if they step too much out of line they will go the same way.

J. M. Kariuki, one of the most outspoken and popular of Kenyan MPs, was found brutally murdered outside Nairobi in 1975. Just who killed him will never be known. Although the national trauma created by his death has now faded, there remains a residual fear of potential violence lurking beneath the surface of political life.

Since then, several critical MPs, including the Deputy Speaker, have been detained, as has the Left-wing novelist Ngugi Wa Thiong'o. But despite the detentions, Kenya remains one of Africa's most open societies as regards political debate. And it has a far better human rights record than many countries. There are estimated to be only about a dozen political detainees.

CONTINUED ON PAGE 21

Boom coming to an end

BY ANY standards Kenya's estimated GDP growth of 6-7 per cent this year—albeit down on *1977's 8 per cent*—is impressive, and some of the results can be seen in the modern, bustling capital of Nairobi. The country is still enjoying the impact of record coffee and tea prices and every sector of the economy benefited in 1977.

Nevertheless, the boom—*which led to the remarkable re*covery over the past two years, following the oil crisis in 1974 and the crippling drought of 1974-75—is coming to an end, although the lag in receipts masks this fact. This is likely to be underlined in the coming months by a fall in coffee earnings. This year's crop of some 75,000 tonnes is 25 per cent down on last year, while first indications for 1978-79 suggest that the crop will be around 70,000 tonnes.

Without the massive leap in export earnings from the two crops — K£68m in 1975 and K£276m last year—the Kenyan economy would have been in serious trouble. As it turned out there has been a valuable breathing space in which the economic planners could prepare for the development quintennial *1979-83*.

There is a growing acceptance among both politicians and civil servants that the country must brace itself for a tough and challenging period, in which some hard decisions have to be implemented. The issues are *not new, but the framing of the* 1979-83 plan concentrates attention upon them: the need to combine efforts to bring about a more equitable distribution of income; to make industry more export-orientated; to ensure that a greater proportion of Government and international aid reaches the marginal and semi-arid areas which represent 81 per cent of the land and house about a third of Kenya's 14-15m people; and to reduce the 3.5 per cent population growth.

Discipline

Kenyans will have to accept that the average 7 per cent (GDP) growth between independence in 1963 and 1974 will not be reached under the new plan. In the words of the central bank Governor, Mr. Duncan Ndegwa last month, an "emerging resources constraint (will) force a harsher discipline on the economic choices facing the country . . . all of us should be prepared to face changed economic circumstances in the immediate future."

If this sounds gloomy, then it should be said at this point that given the right policies—and equally important, the determination to carry them out in time—Kenya's reputation as what one diplomat calls "A Third World success story" can be maintained.

The theme of the plan—of which more later—is alleviation of poverty through satisfaction of basic needs. But the planners set about this task against a background of three problems in particular, coming upon them almost simultaneously (in addition to other equally demanding problems): a widening trade deficit leading to an overall balance of payments deficit; greatly increased defence spending; and a worrying rate of inflation.

It *was the first of these prob*lems that led to the unpublicised visit to Nairobi recently by a small delegation from the International Monetary Fund (IMF), and they will return after this month's budget.

The balance of payments deficit is likely to be K£17m this year (compared to a K£115m surplus in 1977) and two or three times as great in 1979, when officials expect IMF aid will be necessary.

The deficit will be partly due to the falling prices of coffee and tea. The boom had a dramatice effect on exports. In 1975 the two commodities accounted for 34 per cent of total exports. This rose to 49 per cent in 1976, and to 60 per cent last year. This year coffee earnings *are expected to fall about 35* per cent to K£130-135m, and tea down 25 per cent to K£55m.

Meanwhile import licences issued in 1977 increased some 43 per cent in value over the preceding year, and some sources believe that the trade deficit in 1978 could exceed K£200m.

Although foreign exchange reserves reached a record K£235m in July, 1977—then equivalent to five to six months imports—the subsequent trend is disturbing. Latest figures show that the quarterly import bill rose sharply during this year from K£121m in the first quarter to K£135m in the fourth quarter, while foreign exchange reserves had fallen to K£210m by the end of *1977*, about four months imports at the current rate.

But apart *from coffee pros*pects and import levels there is one outstanding reason why IMF aid will be needed: increased defence spending.

It consisted of a reasonable 12.5 per cent of the 1977-78 budget, but rose to 18 per cent *after the K£63m supplementary* estimates, and further spending is necessary because of instability in the region and, in particular, concern about what is perceived as Somalia's intention to pursue territorial claims in north-east Kenya.

The third problem is inflation, currently about 14 per cent and rising according to some observers. In the first ten years of independence Kenya experienced little or no inflation. In 1974-76 much of it was imported, mainly due to the oil price increases, but 1977 saw the beginning of domestically caused inflation when money supply increased by a staggering 47 per cent as coffee and tea money poured in.

Last month the central bank introduced tighter measures to keep the supply in check. Overall credit expansion by the commercial banks will be 22 per cent during the fiscal year 1978-1979. After taking into account expected credit to Government, this will limit credit expansion to the private sector to about 18 per cent in the year ahead, compared to the 33 per cent expansion in bank credit to the private sector in 1977.

Adding to the planner's difficulties is the fact that the development issues must be tackled by a series of what the Minister of Finance, Mr. Mwai Kibaki, called "hard" policy options.

As set out by Mr. Kibaki, the "soft options" of the past have included: Kenyanisation of the public sector; redistribution of the "scheduled" (white-farmed) areas; attraction and protection of direct overseas investment; development of financial and other secondary institutions to serve industry in urban areas; development of the urban infrastructure; import substitution; and extension of basic education.

Each *of these has a hard* counterpart for the future: Kenyanisation of the private sector; raising agricultural productivity; reclamation of marginal land; extending infrastructure in areas of marginal productivity; development of local entrepreneurs; development and protection of local infant industries; rapid rural development in part through greater agricultural credit; rapid expansion of domestic marketing and distribution systems; development of rural infrastructure; diversification of industry, and integrating industry and agriculture; *generating employment oppor*tunities; and *modifying* the education system to meet future needs.

Missing from the list of "hard" options, *however*, is a commitment to an effective population policy. Government efforts have done little if anything to stem the 3.5 per cent. growth rate—yet it is an issue on which Kenyan politicians seldom comment in public.

What, then are the plan's targets? It *will* not be published until later this year and *only the broad principles* are available. But, given the intention to alleviate poverty, the plan will have to concentrate on basic needs: nutrition, health, educaiton, water supplies. Clearly the marginal areas should have a development priority, with emphasis *on irrigation and marginal farm*ing techniques.

In the high productivity areas—mainly a belt of land running from Nairobi, west to Kisumu and north to Nanyuki—which produces the bulk of marketed agricultural produce, up to 60 per cent of smallholders are currently benefiting from cash crops. But the remainder should be encouraged through increased extension services and access to credit facilities.

BASIC STATISTICS	
Area (square miles)	244,960
Population	14.3m
GNP (1976)	K£1.37bn
Per capita	K£99
Trade (1976)	
Imports	K£407m
Exports	K£330m
Imports from UK	£97.7m
Exports to UK	£61.3m
Trade (1977)	
Imports from UK	£118m
Exports to UK	£155m
Currency: Kenya shilling/pound	£1=Shs14.4 £1=K£0.72

In the industrial sector, most economists recommend the faster development of agro-industries, a diversification of exports accompanied by improved export incentives, and the establishment of more small-scale industries in the rural areas.

Providing jobs will be one *of the biggest challenges, yet* neither the modern nor the "informal" sector (described elsewhere in this survey) can meet the demands.

The labour force is increasing at a rate of at least 250,000 a year. Even if there is a six per cent annual increase in the 900,000 strong modern sector—an optimistic forecast—that still leaves some 200,000 (in addition to existing unemployed) for whom jobs must be found in agriculture, petty trade and other "informal" sources of employment.

The majority of the work seekers will, it seems, have to find jobs on the land. Given that the average size of smallholdings is a mere 2.3 hectares, it will be hard to place them. Clearly more labour intensive techniques, accompanied by technology appropriate for semi-arid lands, small-scale ranching and village workshops will be necessary.

Equitable

According to one estimate, during the *1960s* it cost a capital investment equivalent in to-day's prices to about K£4,000 for each new job created in the modern sector—compared to a mere K£40 in the informal sector.

Economists also believe that the plan *should attempt to pre*vent the rural-urban terms of trade returning to favour the urban sector, as they did until the crop price increases in 1976. The terms must, as coffee and tea prices fall, swing away from the rural sector, but through *pricing and other policies the* Government could maintain the more equitable level that existed in 1976.

Foreign aid — K£45-50m in 1977 — is expected to run at K£70-100m per annum (constant at 1976 terms) during the five-year *plan*. The rate of foreign investment is also expected to remain constant.

In the case of the latter inflows tend to be offset by outflow in the form of remittances of profits and dividends leaving net foreign investment of zero (though it fluctuates from year to year). But re-investment of profits accruing from foreign funds runs at K£40m a year, and is expected to remain at that level.

The plan's GDP target currently being debated is 6 per cent a year, though this may be reduced to 5 per cent, which some observers believe is a more realistic figure.

The reason is that some of the resources available in the first decade are either exhausted or reduced, and certain "soft" policy options are, as Mr. Kibaki *points out, now closed. One of the most worrying consequences* is the severe pressure on land. Resettlement of previously white-held mixed farms is now largely completed, yet one estimate puts landless migrants at 400,000 in 1976, growing at 15,000 a year.

Hence the need for exploiting marginal lands, and perhaps measures such as placing a ceiling on land ownership, taxing idle land and subdividing larger farms, while maintaining rapid growth of non-agricultural employment opportunities.

A *further demading* issue is the requirement that there be a greater shift from the industrial policy of import substitution to agro-industries, gradual lifting of some of the existing protective measures which have led to the production of items which would be cheaper if *imported and a determined* export drive.

So far the export record is disappointing. Although exports rose 46 per cent in value in 1977 over 1976 this was entirely due to coffee and tea sales, and at constant prices the growth of exports has been *slower than the growth of the* economy as a whole. This is partly because of the break-up of the East African Common Market and has forced industrialists to look to Europe, North America and the Middle East for new markets.

Inevitably the inadequate export performance raises the question of devaluation. Some of the exhibitors at the recent Kenyan trade exhibition in New York returned complaining that they simply were not competitive. *However*, the Kenyan shilling, by being tied to the SDR, has been floating down (by 5 per cent in *1977*) against the EEC countries—Kenya's main trading partners.

A strong argument against devaluation is its impact on the *prices of imports*, only one-fifth of which are direct consumer products. But it could force industry to make greater use of local materials and encourage them to turn to agriculture-based manufacturing, and allow Kenyan exports to become more competitive. The alternative is a continuation of the export subsidy policy (10 per cent of the value of exports provided local content is at least 30 per cent.) But this has proved ineffective.

The *planners* must also fill some of the gaps between intention and achievement under the 1974-78 plan. Of course, no *government* can stick to development plans to the letter. Economic conditions on which they are postulated are almost certain to change. As one observer put it, the plan should be treated as a *statement* of Government intentions which often may not be fulfilled within the period set down but at least the plan can help shift *Government policy in the right* direction.

That said, it is nevertheless worth raising one area where the 1974-78 plan failed to meet targets—because it has made some of the tough options that lie ahead even tougher. The commitment to "redefine the size of all co-operative and low density settlements and the criteria for land ownership," as part of an effort to create 350,000 new agricultural smallholdings, was not met.

In the view of some observers there has been a tendency to allow the economy to drift because there is no short-term economy management. "Nothing happens between budgets—and then little happens in the budget itself," commented one economist. But there is now more scope for independent *change of tariff policy since the* demise of the common external tariff of the EAC.

Yet what remains impressive is the vigorous, often public, debate taking place about policy priorities and targets, with no lack of self-criticism about performance in the past.

The biggest question, then, that hangs over the Kenyan economy *is* whether the decision-makers will be prepared to implement the tough options that have been identified.

Michael Holman

Heavy emphasis on agriculture

AGRICULTURAL development is one of Kenya's most impressive achievements. Even though land is one of Africa's most obvious and crucial development resources, there are few countries which have effectively mobilised the agricultural sector. Kenya has done far more than most, though much remains to be done.

Agriculture forms the backbone of the economy. Some 90 per cent of the population still live in rural areas and earn their livelihood predominantly from the land. The sector provides about 70 per cent of Kenya's foreign exchange earnings (coffee, the largest single revenue earner, together with tea, sisal and pyrethrum making up the largest proportion of this). Agriculture makes up around 30 per cent of the GDP.

Possessing no significant mineral resources, Kenya has had little choice but to lay heavy emphasis on agriculture, and it has been helped (though some would argue as to what extent) by the existence of a reasonably well developed infrastructure left by the British settlers.

But even with these comparative advantages, it is a considerable achievement that the agricultural sector (monetary and non-monetary) had an annual average growth rate of about five per cent per year in real terms between 1964 and 1972.

Between 1973 and 1976 the sector was hard hit by drought, and it is something of an achievement that the growth rate was just prevented from becoming negative. Better weather conditions in the past two years have helped a strong recovery. Gross marketed production was estimated to have increased in real terms by some 12 per cent in 1977 over the previous year.

Two particular strengths of the sector need emphasising. First, it has become very well diversified, to a considerable extent protecting the country from the boom-bust cycles of mono-crop economies. Second, it has made Kenya virtually self-sufficient in food, entailing a valuable saving of foreign exchange (though some would argue that the Government's "self-sufficiency" doctrine can be carried to excess).

Planners are hoping that over the next five years agricultural output will continue to rise at a very respectable 5 per cent per annum (7 per cent for the monetary sector and 3 per cent for non-monetary). Nevertheless, the way ahead will be increasingly strewn with difficulties, which boil down to two crucial long-term issues: In Africa the two central pillars of the social security system are children and land. In Kenya there are far too many of the former and there is far too little of the latter.

The population growth rate is increasing at 3.5 per cent per annum. An average rural household has nearly seven members.

Yet good quality land is in very short supply, and the most productive allocation of what exists is to some extent inhibited by exclusivist tribal claims on particular areas. It is often not realised just how little of Kenya's land is inherently suitable for intensive farming. Only about 18 per cent of the country (most of it stretching west from Nairobi) can be described as having high or medium potential. Much of the rest is only suitable for stock raising, at various levels of intensity.

Populated

Since much of the high potential areas are now heavily populated, the Government is having to concentrate more and more efforts on the so-called "marginal areas"—which covers land of widely varying potential, from the semi-arid, suitable for certain crop mixes, through to zones suitable only for low intensity pastoralism. And capital input-output ratios in these areas (described by one agriculturist as a "potential development nightmare") are likely to be lower than in the high potential areas.

Before looking at both the high potential areas and the marginal lands it is necessary to consider Kenya's land-holding structure. A striking feature of the agricultural sector is the important contribution made by Kenya's 1.5m smallholders, who farm plots of up to 30 acres, although some 60 per cent of these families hold only five acres or less.

After independence, many of the old mixed white farms in the high potential areas were broken up into smallholdings or co-operatives, while in the tribal areas the Government has progressively consolidated individual holdings and granted individual title to the owners. Many people attribute the success of the smallholding sector to the granting of individual title (a rarity in Africa), though there is an influential school of economists who dispute this.

Smallholders now produce some 50 per cent of Kenya's marketed agricultural production (the remaining 3,200 large farms, plantations and ranches contributing the rest). But this figure under emphasises the importance of the smallholders. Not only does non-market production account for up to 60 per cent of their output, but they produce most of Kenya's pyrethrum and about half its most important foreign exchange earner, coffee.

However, there remain wide income differentials not only between those smallholders in the high-potential areas and those being increasingly pushed by population pressure into the marginal lands, but also between farmers in the high-potential areas.

Much can therefore still be done to raise smallholder productivity in the high-potential areas, including improved access to credit for inputs such as fertiliser (in the past credit has been more easily available for the large farmer), better crop mixes (with perhaps an increasing emphasis on labour-intensive horticultural crops) and improved extension services. Although Kenya has a much higher ratio of extension workers to farmers than most African countries, the quality of the extension service is open to question.

Another important issue in the high-potential areas—with strong political overtones—is the future of the remaining 1,800 mixed farms (but not plantations) owned individually or by small groups, some of which are making very efficient use of the land, while others are most certainly not.

Kenya now has an estimated 400,000 landless people, and for years the Government has been indecisively debating whether or not to ameliorate this rural employment problem by breaking up many of the remaining large farms into smallholdings, as well as looking at the apportionment of land on co-operatives. The argument goes that the only large farms vital for the economy are those used for stock breeding and the production of high-quality maize seed.

As it is, a substantial number of the large farms have already been divided de facto into smallholdings, and these will be given de jure status under the new 1979-83 development plan. But what of the remainder? The influential large farm lobby is naturally against sub-division and Government policy remains confused.

But even if the Government were to go ahead, sub-division would only be a partial palliative to the rural employment problem, given the large number of landless who need to be absorbed and the limited number of large farms. The emphasis has to be on development of the marginal lands and on other policies.

Given the immense variation in the quality of the marginal lands, they require an extremely challenging range of approaches, depending on local conditions. Three broad possibilities stand out—improved arable farming in the less arid areas; large, intensive irrigation schemes; and improved ranching in the more arid areas.

Development of the less arid arable areas is in itself very difficult, not least because farmers entering these areas from the high potential areas bring with them farming techniques which are totally unsuitable, leading to crop failure, desertification and increased poverty.

Heavy emphasis is therefore placed here on integrated agricultural development programmes for a whole area, with a strong accent on bringing credit to the smallholder. There are, however, some who would argue that in the past too much emphasis has been given to immediate credit (with a low repayment rate) rather than the provision of the infrastructure which has to underpin higher output.

Also, much work still has to be done on the technical side of developing these areas, covering such questions as the development of small-scale water management schemes, moisture retention by the soil and crop mixes and crop strains. Crops suitable for these areas include drought resistant maize, sunflowers (Kenya is still an importer of vegetable oils) and cassava.

With few major rivers, Kenya has only a limited potential for large-scale irrigation schemes, which are expensive and require very careful management. Particular controversy at present surrounds the Bura development scheme on the lower Tana river, where the Government plans to settle 10,000 small-scale farmers, largely growing cotton, at a cost of $100m. Some aid donors argue that the scheme is just not financially viable.

Kenyans, however, maintain that the plan has to be looked at as a totality and not just a pound for pound equation between inputs and outputs—the scheme will generate some hydro-electric power, it will allow savings of foreign exchange on cotton imports and, perhaps most important of all, will help alleviate land pressure.

Aid donors are now being strongly attracted to the development of marginal lands, and in the past few years Kenya has heavily reorientated its own disbursement of development funds towards the agricultural sector. The main problem now is not so much the level of funding but the rate at which it can be absorbed by the sector. Unless projects are planned carefully, money might be simply poured down the drain. There is not necessarily a correlation between greater expenditure and higher output.

How does all this impinge on wider questions of development strategy? A central problem facing the Kenya Government is the need to alleviate rural poverty, narrow the income gap between the towns and the countryside and stem the drift from rural areas to the cities. If pursued with sufficient vigour, all these agricultural policies will contribute to this, as will a greater emphasis on the informal sector of the economy, a new educational strategy emphasising technical rather than academic training and moves for the decentralisation of industry.

The rural—urban terms of trade have swung strongly in favour in the rural areas in recent years, largely thanks to the tea and coffee boom, which is now abating, and partly because urban workers' pay has been held down. The Government is hoping to hold the terms of trade steady at the 1976 level, but there are some economists who fear a reversion and believe that unless inflation abates considerably, real per capita rural incomes might decline over the next few years. Others, however, argue that these projections are based on far too gloomy assumptions.

Planners also argue that to a considerable extent the problem of rural employment is not so much one of jobs not being available but of labour mobility. They point to current shortages of labour in several sectors, including tea and coffee, and believe there is substantial scope for helping the "working poor" by devising schemes to move labour around the country from surplus areas to those of shortage, particularly on a seasonal basis. However, it remains unclear just how practical such schemes would be if implemented.

And in the longer term, a vital issue remains that of population control. There is an ever present danger that existing smallholdings might eventually be sub-divided into uneconomical units (with production reverting to subsistence agriculture) unless the population grows more slowly, unless sufficient jobs can be found elsewhere for the landless and unless people can be persuaded that there is not enough land for all. Kenya has still to grasp this politically sensitive nettle.

Martin Dickson

Options

CONTINUED FROM PAGE ONE

There may be force in the argument of one well-placed source that the Government has to look after the interests of 12m Kenyans and not "12 subversives." Stability is one of the country's most precious assets.

But it remains debatable whether the interests of society are best served by detaining those who point a finger at its failings in a country which is a de facto one party state and where that party is not in itself an effective channel for grass-roots feeling. KANU may spring into action when parliamentary elections are held, but it does not appear to do a great deal at other times. Indeed, last year's postponed party elections would have been the first in over a decade. In Kenya much of the responsibility for articulating popular feeling therefore falls on back-bench MPs, the detention of whom may make the leadership more isolated.

Corruption is recognised by many Kenyan leaders as a serious problem. Only last month the outspoken Attorney General said it was an "open secret" that this existed among top Government officials. And last year the official Government radio commentary complained that "the incidence of corruption in the country, especially the civil service, threatens the very fabric of society."

The Government does, it is true, take action against corruption, which is not as pervasive as in some other parts of the continent, but by and large it is the small operator who gets caught.

Problems

If this article points a finger at some of the problems in the Kenya body politic, it is not from any gratuitous desire to criticise. There is much to admire in Kenyan society, not least the Government's relative willingness to accept criticism and even sometimes to act on it.

In 1972 the International Labour Office, in a major report on Kenya, pointed up some of the major income imbalances in society and suggested ways of remedying them. The Government accepted some of its criticisms and said it would act on them. Six years later, it can be argued that it has not followed up acceptance with action in numerous fields, or that action has been too slow.

But it takes time to change entrenched attitudes and allowance must be made for this. It is only now, for instance, that the Government seems to be moving towards changing the educational system along the lines suggested by the ILO and at last seems to be placing more emphasis on the "informal" sector of the economy, as also suggested by the ILO. But words still have to be translated into action.

The country's new five-year development plan, to be unveiled at the end of this year, takes as its theme "the alleviation of poverty." Realistic Kenyans admit that there will inevitably be a lag between formulation and implementation. The political challenge facing the country is to see that there is clear movement towards implementation and that the time gap is not too great.

As Mr. Kibaki concluded after examining the "hard options" facing the country: "We can avoid, postpone or even rationalise these issues away. But sooner or later these and other questions have to be resolved."

Import curbs possible

THE LARGEST overseas trade fair ever staged by Kenya took place in New York last month. The aim was both to attract new foreign investment and, perhaps even more important, to give Kenya's exports a sorely needed shot in the arm.

In recent years the country's overall export performance has been disappointing, although high prices and production of tea and coffee have had an ameliorating short-term effect. The break-up of the East African Community last year has added to the export difficulties.

One indication of the sluggish performance is that between 1972 and 1976 exports are estimated to have grown by about 27 per cent a year, but most of this was due to price rises and only 1.7 per cent to volume increase. Nor did exports show any volume improvement last year, apart from tea and coffee.

It is argued, however, that last year's poor export performance is in part attributable to high domestic demand and to a substantial amount of smuggled exports to Uganda.

The tea and coffee boom of recent years has provided the country with a breathing space. Kenya's terms of trade improved by 20 per cent in 1976 over the previous year and was restored to the 1972 level, thanks primarily to the very high price of coffee.

Continuing high coffee and tea prices, together with record production of both crops, were also largely the cause of the estimated 47 per cent rise in the value of Kenyan exports last year over 1976—from K£318m to K£469m. With imports up by an estimated 32 per cent to K£533m, this left the country with a visible trade deficit of around K£64m, down from K£87m in 1976.

Kenya has traditionally run a substantial direct trade deficit, with earnings from invisibles, above all tourism, reducing this but still leaving an historical deficit on current account. One unusual feature of last year's exceptional performance was the recording of a small current account surplus.

However, falling tea and coffee prices mean that Kenya now faces a deterioration again in terms of trade and the likelihood of a serious trade deficit by the end of the year (possibly of more than K£200m), which could rise further in 1979 and 1980 unless strong measures are taken to curb imports. It is therefore possible that before the end of the year Kenya will impose restraints on imports, which were showing a worrying rise in value terms towards the end of last year.

Britain remains the country's largest trading partner and would be affected more than most others by any such move. Excluding oil imports, Britain last year accounted for 23.6 per cent of Kenya's imports by value, with Japan holding 16.7 per cent of the market and West Germany 13.6 per cent.

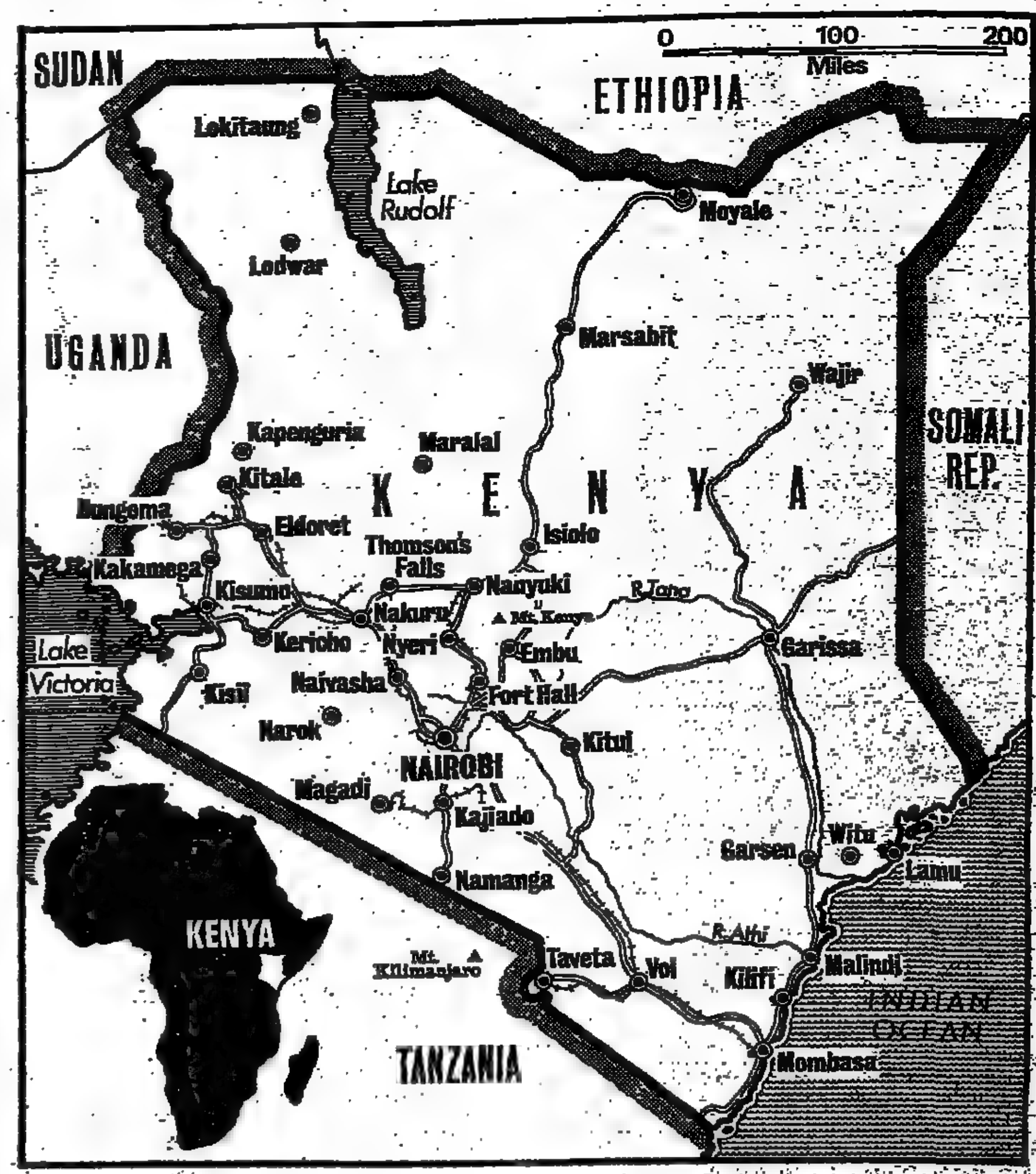
During the past two years West Germany has overtaken Britain as Kenya's largest export market, largely because of its demand for coffee, although a significant proportion of Kenyan exports to German ports may in fact be re-exported to other destinations in continental Europe.

Balance

A significant feature of Anglo-Kenyan trade in 1977 was that for the first time the bilateral trade balance swung in Kenya's favour because of high tea and coffee prices. British exports to Kenya amounted to K£85m while UK imports from the country were worth K£112m.

Tanzania used to be Kenya's fourth largest export market and the loss of this trade through the break-up of the East African Community and the closing of the common border was a tough blow.

In the short term, domestic demand, the growth of new export markets and a rise in exports to Uganda, the third partner in the Community, have helped offset the loss of the Tanzanian market and that of Zambia. (Kenyan goods bound for Zambia are by and large transmitted through Tanzania.) But a significant impact on Kenyan exports could still materialise unless the border is re-opened, and it is not clear whether this is likely in the immediate future.



Kenya and Tanzania are still both angry, each in large measure attributing to the other the collapse of the Community with its common market and shared transport and communications corporations.

The Community, which came into existence in 1967, collapsed last year when the three States failed to approve the 1977-78 budget for the partnership's General Fund services. However, this was largely no more than confirmation of an existing state of affairs. It was in February last year that the Community effectively reached the point of no return when the jointly run East African Airways Corporation collapsed under a mountain of debt.

Kenya, which had financially carried the airline for a long time, refused further support, grounded the fleet and immediately launched its own international airline. Tanzania responded by closing the border and impounding Kenyan light planes and tourist vehicles.

It is probably impossible to attribute blame for the collapse of the Community or to look back and find a definite historical point in time to date its decline.

But one contributory factor was the differing political ideologies of Kenya with its free enterprise system and Tanzania with its African socialism. Another was Kenya's greater economic strength compared to its partners, which increased rather than diminished over the years, and inevitably led to jealousies and the evaporation of an ideal into State chauvinism.

The Kenyan Government is now hoping to see the establishment of a much wider customs union, embracing countries in East, Central and Southern Africa. An agreement of intent on this was signed by many countries (but not Tanzania) in Lusaka earlier this year. The Kenyans believe that by bringing more countries into a customs union they will be able to overcome the tensions generated by a three-legged partnership.

However, the Kenyan scheme still appears somewhat visionary and there is scepticism that, even if implemented, it will make any significant contribution to the country's export earnings.

M.D.

Crops meet problems

PAUL NJOROGE is building a new house. A tea-growing smallholder in Kenya's Central Highlands, he lovingly shows you over the four-roomed stone bungalow which is going up alongside his present timber homestead.

Mr. Njoroge is one of the 115,000 Kenyan smallholder tea growers who, together with small-scale coffee planters, have benefited greatly from the steep rise in the world market price of these two commodities in 1976 and 1977.

A new house is Mr. Njoroge's biggest windfall gain. But he has been able to pay for a barbed wire fence around his small cattle pen and a few years ago tea money enabled him to pay for a borehole to be sunk on his land. His neat clothes (wellington boots, grey flannel trousers, shirt and cardigan) are in marked contrast to the scruffy garments his barefooted neighbour wears.

His neighbour has never farmed tea and now bitterly regrets it. He follows you round Mr. Njoroge's new house, clearly envious. The neighbour grumbles about his children, who, he complains, were not prepared to help him plant any tea. They will live to regret it, he says.

Coffee and tea are not only important for the individual farmer, they are vital for the nation, being Kenya's two major export crops. Last year coffee exports brought in K£204m in foreign exchange and tea £K71m, together making up nearly 60 per cent of foreign currency earnings. Admittedly, this was a year of unusually high prices and production. In 1973, a rather more typical year, coffee contributed 29 per cent of export earnings and tea just under 14 per cent.

Coffee production has grown steadily over the years from 41,000 tonnes in 1964 to 80,000 tonnes in 1976, with smallholders and large estates now each accounting for about half of the output. Last year the industry was very lucky—favourable weather conditions helped boost production to around the 100,000 tonne mark at a time of very high prices.

This year, however, the outlook is not so good. Not only have the coffee prices fallen on the London terminal market from their peak of over £4,200 a tonne in March last year to about £1,500 a tonne now, but Kenya's production is expected to be down by a massive 35 per cent, to around the 75,000 tonne mark. One major reason is very heavy rains which have affected coffee bush flowerings.

Early projections suggest next year's crop may be as low —or even lower—than this year's. The industry's prospects over the next few years appear to be mixed, unless, of course, disaster again strikes the Brazilian crop. While coffee market prices are falling, the cost of inputs, such as fertilisers, is not and there is a danger that smallholders may neglect their bushes because of falling returns which would in turn affect total output.

Disease

Disease is at present not a problem. The last serious outbreak of coffee berry disease was in the late 1960s and a recently discovered bark disease seems to be well under control.

There are plans for a relatively small increase in coffee acreage and for an improved infrastructure for the industry, but both these projects could be hit by the price fall. And looming on the horizon is the possibility that international

CONTINUED ON NEXT PAGE

KENYA V

Industry needs to find new markets

KENYA HAS ENJOYED a remarkable rate of industrial development since independence, making it the most industrialised of the non-oil producing independent African states. Last year, stimulated by record levels of internal demand and new capacity coming on stream, output in this sector rose some 12 per cent in real terms and *the pace was sustained into* 1978.

But the comment last June in the 1977 economic survey—that medium term *prospects* need to be reappraised—remains valid. Industry is approaching the limits of the "soft" post-independence option of import substitution. If the momentum of the past is to be maintained, new export markets must be found. "Otherwise," warned the survey, "there is a danger that the expansion of the manufacturing sector . . . may falter."

The volume growth of merchandise exports between 1969 and 1976 was only 2 per cent, while import dependence (defined as the ratio of merchandise imports to GDP in current prices) has not been significantly reduced. At present only about 8 per cent of manufactured products are exported.

The emphasis in the years to come, say officials, must be on export-orientated industries looking to markets outside East Africa. A comprehensive reassessment of industrial strategy is, it seems, under way, and the results should be seen in the forthcoming development plan for 1979-84. The main points are likely to include:

- A differentiated and increased export *compensation* scheme.
- Greater efforts to ensure a regional distribution of industries.
- Use of appropriate technology.
- Rationalisation of the tariff system.
- Greater use *of domestic* resources in place of imported items.
- More effective backing of small-scale enterprises.
- Encouragement of a labour intensive approach.

Efforts are already being made in some of these areas. For example, both the World Bank (through a $10m credit from the IDA) and the EEC are assisting Kenya Industrial *Estates in setting up factories* for the smaller African businessman, and workshops in rural areas.

The existing export compensation rate of 10 per cent of the fob value of the goods, provided the import content does not exceed 70 per cent, has proved ineffective. There are delays in payments, sometimes as long as six months, say businessmen. What they are pressing for *apart from speedy payment is* both an increase in the amount and a sliding scale according to import content.

Difficulties

Rationalising the tariff system will present considerable *difficulties. Under the existing* conditions industry is given little incentive to increase their efficiency and often the result is unnecessarily high prices.

Yet at the same time, there are often complaints from industrialists and trade unions about the threat to factories and jobs from foreign competition. Adding to the Government's difficulties in rationalising tariffs is its own stake in industry, through three public agencies—the Industrial Commercial and Development Corporation (ICDC), the Industrial Development Bank, and the Development Finance Company of Kenya (DFCK). The first two are directly controlled by Gov*ernment.*

Understandably these public sector agencies will be reluctant to see any change in policies which *protect them. Private* business has realised this, hence the tactic of welcoming Government participation as a form of insurance against a lowering of protection of their particular business.

Despite these and other problems, it should be said that *the new development plan will* take off from a sound industrial base. Although food processing continues to be of major *importance, there is an impres*sive and widening range of industries—textiles, chemicals, paper, cement, soap, glass, footwear, tyres and vehicle assembly plants.

Some 10,000 commercial vehicles will this year roll off the assembly lines at Kenya's three plants—Leyland at Thika, General Motors in Nairobi and Associated Motors Assemblers (a local consortium consisting of Inchcape-Mackenzie, Lonrho and the Kenya Government) at Mombasa.

Apart from *employing* about 1,500 people, the plants have given rise to a growing number of service industries. These *now include batteries,* tyres, paint, wiring harnesses, trim, mats, glass, canvas hoods—and radiators and exhaust systems will soon join the list of local products.

Unfortunately the textile industry, an investment of over K£40m and employing nearly 20,000 people, has been undergoing severe difficulties which led to the collapse of the Nanyuki Textile Mill last December.

The authorities placed most of the blame on "dumping" of textiles from the Far East, and banned import of all *second-hand clothing* and all textiles similar to those produced in Kenya.

But to make up for Nanyuki *there is a string of recent projects* which are doing well, and others are about to come on stream. The K£8m Kenya Furfural Company at Eldoret *will manufacture furfural,* acetic and formic acid from maize cobs.

In Kisumu, Western Kenya, *there is a K£2.6m 51 per cent* Government owned plant which will produce alcohol, brewers yeast, vinegar and citric acid. *Cadbury Schweppes is building* a K£1.4m soft drinks factory at Eldoret, while a fertiliser plant is due for completion at Mombasa where East Africa Breweries is building a new brewery.

The examples illustrate the range of the country's recent industrial development. Kenyans are playing a major role in new developments but there has been a marked change in this *role over the years.*

Their pre-independence base was the agricultural smallholding, but after independence the effect of measures such as trade licensing, Government-controlled financial institutions, and Government directives on allocation of credit, led to increased Kenyan activity in other sectors. In particular these were real estate, passenger road transport, and a growing share of the hotel and restaurant business.

The main areas which Kenyans have yet to dominate are construction, financial ser*vices and manufacturing—due* to limitations of capital and expertise. But both obstacles, in particular the former, are being overcome.

Financial syndicates, State economic institutions and merchant and industrial banks—such as the Industrial Development Bank (IDB)—are providing the means for increasing Kenyan access.

Currently business is booming for Kenyan businessmen and their foreign partners. But as the impact of high coffee and tea prices recedes and domestic *demand for their products in*evitably falls, they will have to make greater efforts to find export markets—"the major challenge in years to come," as Industry Minister Eluid Mwamunga puts it.

M.H.

Crops

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coffee export quotas might be imposed again.

The rains which have so seriously hit the coffee crop have had the opposite effect on tea. Production is expected to be significantly up this year on 1977, which was itself an excellent year—production rose *to 86,000 tonnes of made tea,* a 39 per cent rise on 1976. However, this year's rise will not be as steep as it might, since the rains have meant difficulties in getting the crop to factories along muddy rural roads.

After years of virtually stagnating in real terms, tea prices rose sharply on the back of the coffee boom but have also fallen sharply—last month the average price of a kilo at one Mombasa *auction was Ksh 11.74,* down more than half from the Ksh 24.96 at the same time last year.

Reasonable

Kenyans expect that the price will remain above the 1976 level for the remainder of this year and the long-term prospects appear reasonable.

The organisation of the smallholder tea section is perhaps the most impressive of all branches of Kenyan agriculture. In the early days of the industry, many *cynics maintained* that tea was just not suited to smallholder production but Kenya has proved them wrong, *largely because it has set up a* very well integrated production structure, with a particularly efficient field service. Production per acre is still significantly higher on the large plantations, which last year produced 61m kilos compared to the smallholders' 25m kilos, but the small man's output frequently fetches higher prices than that of the estates.

The price paid to Kenyan farmers for their tea and coffee is set by the world market price—a rarity in Africa where Governments usually fix a producer price for export crops and then subsidise farmers if the market *price is below this or keep* the profits if it is above. Pricing policy for other Kenyan products can, however, sometimes present problems.

Pricing policy is, of course, extremely difficult in any country, with Governments having to balance the *conflicting* demands of producers and domestic consumers. The hazards this can entail are shown by the current Kenyan maize glut.

In 1976 the Government suddenly raised the producer price of a bag of maize from KSh 65 to KSh 80 and this, coupled with good weather, has now produced a huge surplus. There are estimated to be 5m to 6m bags in storage (Kenya's strategic reserve is some 2m bags) and there is nowhere left to store the maize that is still coming in. *Difficulty in off*loading their crop means that farmers have been having to sell to middlemen at a price *much lower than the official* one.

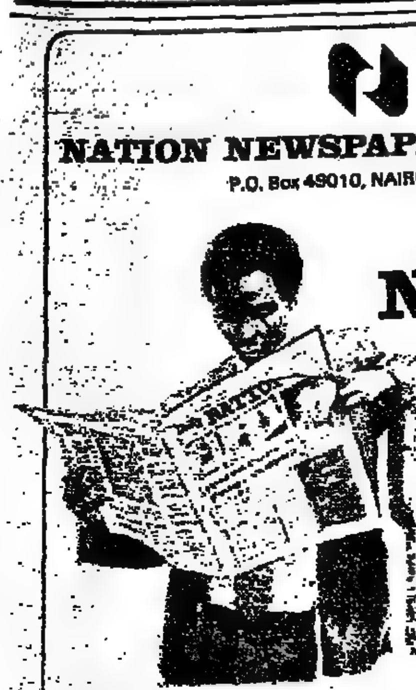
There is a strong debate going on in Kenya about the possibility of exporting some of the surplus. The Government appeared to be on the verge of doing so at one stage but then pulled back. And the effects of *the relatively high maize price* appear to stretch beyond this crop. The production of pyrethrum flowers (used in in*secticides) was 13 per cent down* on 1976 in the first nine months of last year, which some attribute partly to farmers switching to maize and partly to the rapid increase in labour costs in rural areas.

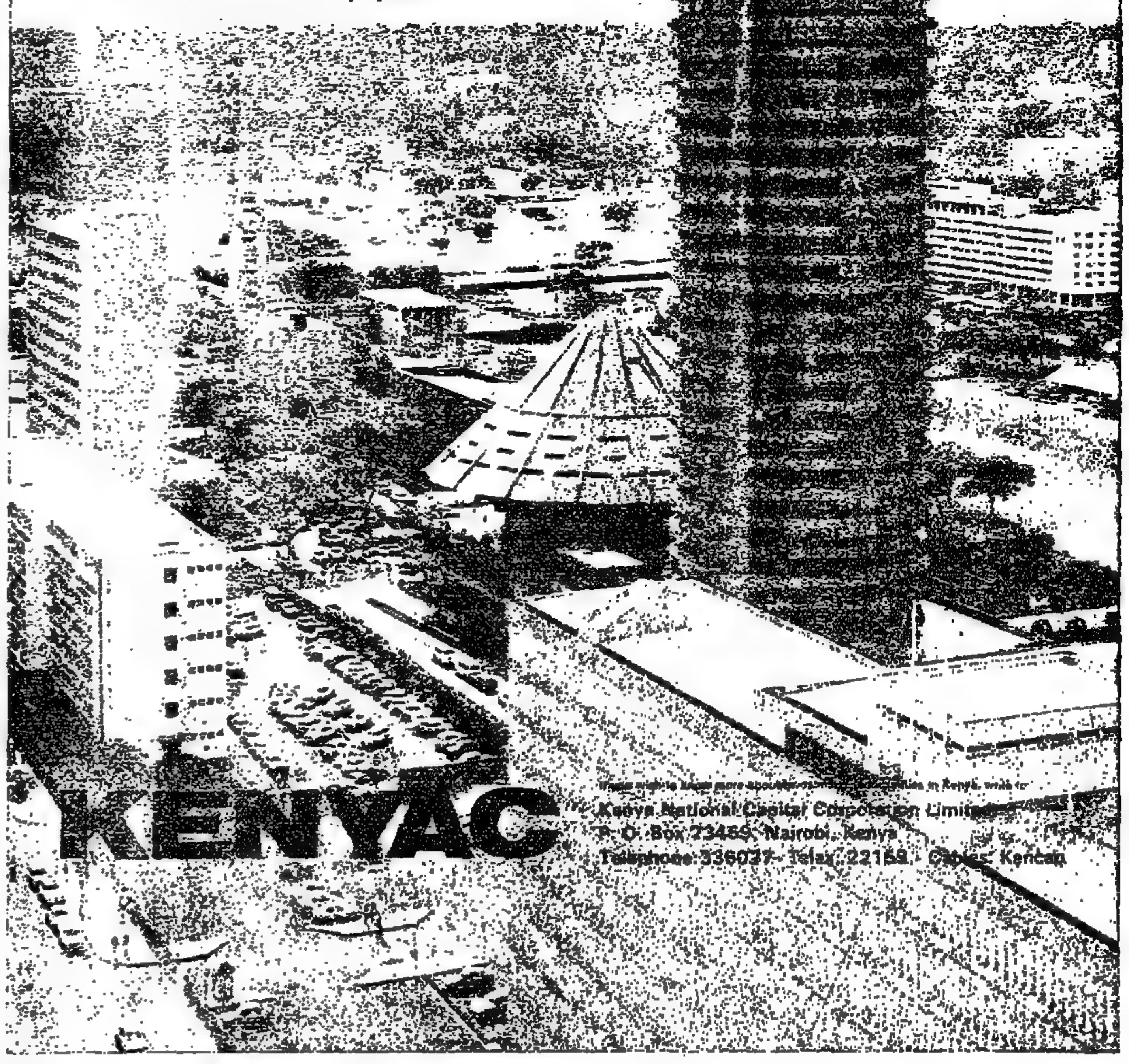
But such price hiccups apart, Kenya's agricultural base is relatively strong and well diversified. Sugar, for example, has been a considerable success story, particularly the huge out*growers' scheme at Mumias.* Kenya is still a net importer of sugar, though the rapid expansion of the industry may leave it with an export surplus by the early 1980s. At present, however, production costs are substantially above the very depressed world market price.

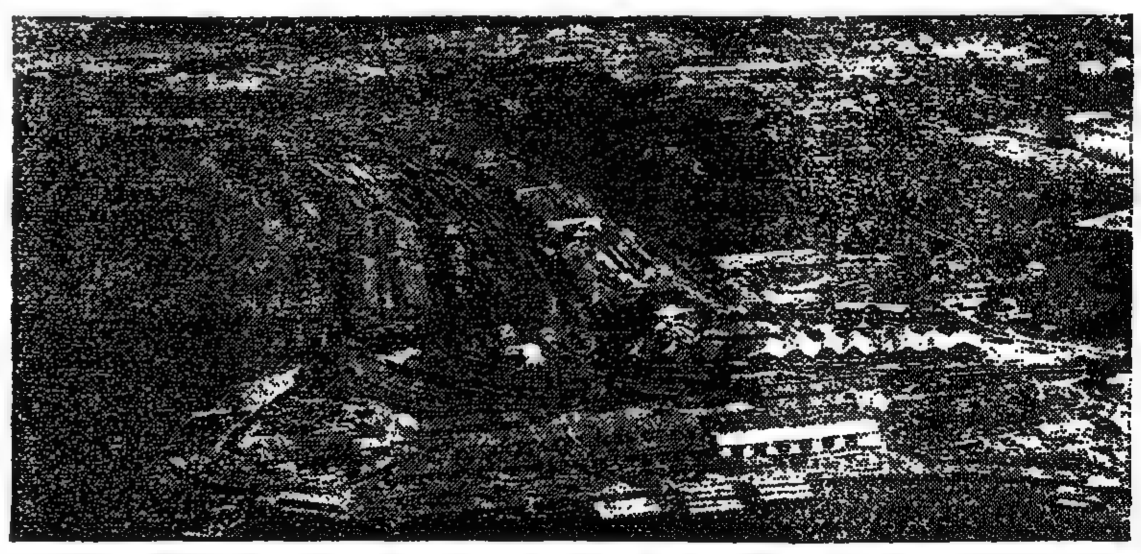
One of the most encouraging areas of agricultural expansion is in the horticultural and *tropical fruits sector.* Displaying its usual commercial acumen, Kenya quickly realised the potential market in Europe for *its beans, pineapples,* mangoes and fresh flowers and production has been growing steadily, both on smallholder plots and large farms.

More horticultural extension staff may be needed to boost output further, but one of the industry's major problems is simply the supply of air cargo space to freight the produce to Europe. Lack of southbound cargo from Europe to Kenya can make the Kenya-Europe leg uneconomical for the airlines.

M.D.







KILINDINI—the lighter wharf and deep water berths.

KIPEVU—where a container complex is being developed.

Attracting investment

ASK KENYA'S Minister of Commerce and Industry, Eliud Mwamunga, about investment opportunities in the country and he is likely to begin his answer by handing across two booklets.

One is a glossy 60-page guide, "Your Business Partner in Africa," which among other things sets out incentives, procedures, taxation rates and plant location policy. The other is a regularly updated cyclo-styled survey of potential projects. The latest one gives information ranging from the number of lavatory cysterns imported annually to a brief summary of a proposed K£20-£25m mini-integrated steel plant at Mombasa with a capacity of 250-300,000 tons a year.

This efficient and imaginative approach is one reason for Kenya's ability to have attracted British and U.S. investment of £90m and $180-200m respectively.

Net foreign investment—mainly from Britain and the U.S. but also from India and Western Europe—is nil, say Ministry of Finance officials, because incoming capital tends *to be matched by the outflow* of profits and dividends. But reinvestment of profits amounts to some K£40m a year.

Ask *foreign* businessmen here about the appeal of Kenya and almost invariably they begin by pointing to the post independence record of political stability, and an ability to combine an official commitment to "African Socialism" (there are over 50 parastatal bodies and about 40 firms in which the public sector has a majority control) with capitalism.

And in addition to a network of commercial banking services there are several government financing organisations which go out of their way to encourage foreign investment. Combine this with an ample supply of labour, a well-developed infrastructure and an enterprising class of Kenyan businessmen and one can see why the country has attracted some of the leading names in British industry.

British Leyland, Cadbury Schweppes, Shell, BP, ICI, Unilever, Lonrho, Metal Box, Portland Cement, Brooke-Bond, Booker McConnell and others have taken advantage of Kenya's investment policy.

At the heart of this policy is the Foreign Investment Protection Act 1964 which among other things guarantees full and prompt compensation should property be compulsorily taken over.

Once a potential investor has satisfied the Ministry of Finance that the project meets basic criteria: raises the national income, brings new technology, creates jobs, increases exports or reduces imports, and diversifies the economy—the Minister may issue a Certificate of Approved Enterprise.

This will permit the remittance of after-tax profits, an approved proportion of the net proceeds of sale, and the principal and interest of any loan specified in the certificate.

There are other incentives. Newly established companies can delay the year in which tax and profits will start, and deductions for capital expenditure can be made at the following percentage of initial value: hotels 6 per cent per annum, industrial buildings 2.5 per cent per annum, factory machines *12.5 per cent per annum, trucks* and tractors 37.5 per cent per annum.

Allowance

In an effort to encourage industrial development in smaller centres there is an initial allowance of 20 per cent of the cost of industrial buildings, plant and machinery for industries sited outside the two main cities, Nairobi and Mombasa.

Local authorities will provide *land, especially in rural areas,* for industrial projects at low rates, and Kenya Railways Corporation also provides land if the site is served by rail.

Tax rates are 45 per cent of taxable profit for companies resident in Kenya, 52.5 per cent for non-resident companies. Dividends are subject to 15 per cent tax, loan interest 12.5 per cent, management fees 20 per cent and capital gains tax 35 per cent.

Kenya Industrial Estates, a subsidiary of the Government-owned Industrial and Commercial Development Corporation (ICDC) finances industrial estates in Nairobi, Mombasa, Kisumu, Eldoret and Nakuru, and also carries out *feasibility* studies of plant sites.

However, earlier this year the Minister of Industry indicated that the KIE programme was aimed mainly at the small African businessman. He spoke of his concern about "The tendency of non-citizens to duplicate projects already covered in the Kenya Industrial Estates programme," noting that he had "on several occasions called on our larger industrialists to leave the small-scale sector to African industrialists—but it seems this has fallen on deaf ears."

The minister warned that "Government will critically scrutinise all applications for raw materials and machinery imports which may seek to duplicate KIE projects."

As well as ICDC there are two main Government-sponsored development banks—the Industrial Development Bank (IDB) and the Development Finance Company of Kenya (DFCK).

IDB, apart from drawing on local sources of finance, has links with the German Development Bank, the World Bank and the EEC financing institutions for term loans and machinery credits, mainly to finance the foreign currency component in industrial projects.

DFCK is jointly owned by the Kenya Government (through ICDC), the Commonwealth Development Corporation, Netherlands Overseas Finance Company and the German Development Corporation. It was formed in 1963 and has since invested over K£11m in 71 projects.

Conditions affecting local borrowing by foreign controlled companies in Kenya were liberalised in May 1977. Until then foreign controlled companies' local borrowing had been restricted to between 20 to 80 per cent of investment. But as money supply sharply increased during the coffee boom, foreign controlled companies were permitted to increase local borrowing to a maximum of 100 per cent of their equity for a period of two years.

The provision is that the facility is used for new investment of expansion in the agricultural, manufacturing and tourist sectors.

Policy

Overall Government policy is to move from import-substitution industries to those making greater use of domestic resources. Hence Kenya is looking for investment in areas such as meat processing, dairy products, canning and food processing, sugar, cotton and mixed fibre textiles, wood processing and furniture, chemicals, *insecticides, cement, machinery* manufactures, and others.

Conditions and incentives for investment in the tourist industry are similar to other sectors, except that hotels in nature reserves and game parks must be at least 51 per cent locally owned. The Kenya Tourist Development Corporation deals with investment in the industry.

Protection to local industries is provided by tariffs of up to 30 per cent of the value of *manufactured goods,* with higher rates on cars and luxury items. New industries may also be granted administrative protection by import licensing.

The Kenya External Trade Authority (KETA) established in 1976 is a government sponsored body leading Kenya's export drive, publicising Kenyan products abroad and carrying out surveys of foreign markets.

One of Kenya's attractions in the past has been its position in the East African Community, the association with Tanzania and Uganda which ended last year. The *closure* of the Tanzanian border lost Kenya what was its fourth biggest market in 1976, and also ended access to Zambia.

Sudan will help fill the gap, but the Government is also looking for markets in the Middle East, Europe and North America—hence last month's Kenya exhibition in New York. As a signatory to the Lome Convention, Kenya enjoys tariff and trade concessions in the EEC markets and under the Generalised System of Preferences. Kenyan exports may receive preferential duty treatment for certain manufactured goods and agricultural products in the U.S., and Canada, Australasia, Eastern Europe, Japan and Scandinavia.

There is no law governing *local participation in companies* but as the investment guide tactfully puts it, "investors would find it to their advantage to do so."

M.H.

'Informal' sector

TWO KIKUYU ladies, mother and daughter, arrive on our doorstep twice a week, and, by arrangement, dump their load of fresh fruit and vegetables from a car in our yard. From this base they set off to hawk their wares round the houses in the area.

The fruit and vegetables come either from their little shamba, or plot, or are bought in the market. It is a tough job, and they set off on their rounds with heavy sacks on their backs, coming back at intervals for refills.

They are just two more of the *tens of* thousands of hawkers operating one man businesses round Nairobi, in both the prosperous and the poor areas. In never-to-be-forgotten jargon, created by the ILO in a report on work and labour in Kenya, they belong to the "informal sector." The ladies might be surprised to know that that is how they are referred to in a series of reports.

The ILO regard *this* class of the smallest businessmen and women as of very great importance to the economy, specially in the rural areas. How are they getting on?

In spite of the Sessional Paper on employment in 1973, when the Kenya Government recognised the essential role of the informal sector in national development, little appears to have been done to help this class of working poor with the kind of economic encouragement given to bigger businesses.

Disrupted

They are still harassed by *city councils.* Sometimes *shanties erected by them as* workshops, boutiques (if that word can be used in this sense), little eating places and kiosks get swept away in sudden police blitzes on the slums which continually fester round Nairobi and Mombasa. Their little businesses are disrupted, but one characteristic they have in common is tenacity — and survival. They always spring up again for the simple reason that they have to live and this is the only way they know.

Not by any means, as the ILO recognised, must they be *regarded as "unemployed."* In fact they are most gainfully employed.

Every visitor to Nairobi has noticed the kerbside rubber stamp makers, the shoe shine boys who proliferate at every street corner, the kerbside seller of secondhand Playboys and Penthouses, the man who tries to sell you elephant hair bracelets, the al fresco hairdresser with his salon under a tree, catering for both men and women, the bicycle repairer, the "garage" in a waste lot which specialises (he has to) in beat-up cars, charcoal sellers. All these *little* businessmen *belong* to the "informal sector."

They may not earn enough to pay taxes—say K£25 to K£30 a month among the poorer—but their money is good and goes round and round.

It may be that real recognition is coming for the informal sector, for the theme of the coming 1979-83 Development Plan, which sets out Kenya's development strategies, is to be the alleviation of poverty and more attention is to be paid to the informal sector to promote its growth.

Moreover, the new Education Report, referred to elsewhere, urges the Government to accelerate the enforcement of the necessary legislative and administrative measures to abolish harassment of the informal sector and instead facilitate its growth.

It has been recognised for a long time that the informal *sector is highly productive and* tends to contribute to social stability. It is based on self-employment, and the little businesses are often handed down from father to son or daughter. Many roadside workshops employ one or more workers.

Their goods and services are generally not aimed at the more prosperous sections of Kenya society, but to the people with small incomes, for, in theory at any rate, their services are cheaper.

There seems no question that if the Government is to integrate the *informal* sector into the process of development it should grapple with the problem very seriously, providing proper conditions such as water and sanitation in which to operate on a permanent basis. A recent cholera scare in Nairobi and Mombasa brought a justifiable ban on all food kiosks operating in insanitary shanties. Many were put out of business, but it was inevitable that they should pop up elsewhere in the town.

The informal sector is an integral part of Kenyan society, as it is in many other countries, and it cannot be spirited away at the wave of an economist's wand.

No amount of pressure from the formal sector can uproot such determined and pertinacious men and women, and the economic planners must inevitably get round to recognising them as an economic force to be reckoned with. The ILO team, which did so much work on the informal sector, could not estimate what its earnings were, but found there were at least 120,000 freelance traders in Nairobi and Mombasa, and perhaps 140,000 in the rural towns and villages. Most are perhaps only marginally productive, but it is better to have people earning and spending than standing round idly in unemployment queues.

The Government is now obviously recognising that this sector of the economy continues to grow under its own motivation, with little or no support, largely due to the predominant influence of the modern sector. In view of the mounting evidence of this sector's usefulness, especially in the rural areas, it will increasingly come to be recognised that it plays an essential role in national development, and action is likely to be taken to give these people credit facilities and management and technical services.

John Worrall

KENYA VII

Switch in education

A SWITCH of emphasis from formal education to "relevant" or "appropriate" education, intended to equip young people for the "realities of life" in a fast-developing country, is now under consideration in Kenya with the publication of the impressive report of the National Committee on Education Objectives and Policies.

The report, long awaited, provides a plan for Kenya's rapidly diversifying educational needs to the end of the century and beyond. It is written against a background of rising urban employment among graduates of the formal system. Paradoxically, major areas of development, in rural areas especially, are seriously hampered by a lack of workers with the appropriate attitudes, knowledge and skills.

While retaining the formal system in a more limited and less expensive form, it is proposed to make education generally more appropriate to the needs of the tens of thousands of young people growing up in a developing economy where technical, technological and artisan skills will be increasingly in demand, particularly in the rural areas, if money incentives can be provided there.

Strongly emphasised is the crucial need to train better and more qualified teachers, with varying aptitudes, especially for the primary schools. At present most teachers brought up in the formal academic system are only fitted to teach inside the system.

With the increasing need to improve growth in the rural areas and the neglected informal sector of the economy, there is new emphasis on creating self-employment opportunities and better job rewards to attract school leavers. It is emphasised that the public will have to be educated away from the prevailing attitude that formal education automatically leads to high wage employment in the modern, urban sector.

"Youth will need to be exposed to the realities of work while at school," says the report. Vocational training will need to be oriented towards rural self-employment.

Sharp emphasis is to be placed on agriculture-related skills, even in the early years of schooling, because it is on agriculture and agro-industry that Kenya's economy will continue to depend. Such training is not generally found in the formal system.

Kenya has achieved impressive results in providing primary, secondary and tertiary education for its people in the 14 years since independence. Certainly it is a better record than most other African countries.

Educational opportunities for the mass of the people were extremely limited before 1963. The country needed to produce in a very short time a cadre of skilled manpower to take over colonial jobs in many crucial areas of the administration, a task which strained Kenyan resources to the limit. An important aspect of Kenya's educational aims at that time was, and still is, to promote national unity in a diverse communal and tribal background.

In 1963 the enrolment in primary schools was 891,553. This has jumped spectacularly to about 3m today, about 90 per cent of all eligible children. In 1963 there were 30,120 enrolments in 150 secondary schools, against today's 280,388 in 1,280 schools. Teachers have jumped from 17,000 to just over 100,000. Nairobi University, created in 1970, has 5,000 students. The Kenyatta University College was born in 1972 as a secondary school teacher training college and has 1,200 students.

There are two major Polytechnics, at Nairobi and Mombasa, with 4,240 students between them, and several, but not enough technical and teacher training schools throughout the country.

Kenya must be one of the few countries in the Third World which spends one-third of its budget on education, some K£72.5m Much of this money goes to provide free primary education from standards one to four, which is a comparatively recent breakthrough. The Government aims to provide free primary education in all seven standards by 1980.

When President Kenyatta launched the "harambee" (self-help) movement in the early years of independence, the idea caught on fast, especially in the education field in the rural areas, and brought out a big crop of Harambee Secondary Schools. These schools are built and managed by local communities on a self-help basis, with the aid of locally raised funds.

They have played a big part in providing secondary education for children who are not able to gain admittance to Government or Government-aided schools for one reason or another, mainly the limitation in places. Many Harambee schools have been taken over by the Government, and the tendency now is to take on more and more. There are 700 schools run on a Harambee basis with nearly 30,000 students. Many are helped by the Ministry of Education by developing new streams and recruiting or paying teachers.

Another remarkable Harambee experiment fast gaining ground in the rural areas is the "Village Polytechnic," which has grown from the need to provide work opportunities in simple crafts and skills among country boys and girls who have stopped at primary level, or who have dropped out. Village polys teach crafts such as carpentry, basketmaking, needlework, agricultural skills, motor mechanics, bicycle repairs, building and home crafts to young people who seek to set up self-employed trades in the informal sector. Local communities raise money, build and set up the schools, using local materials and local skills. There are now well over 200 village polys scattered all over Kenya.

A further development in the Harambee movement has been the growth of "second chance" institutions with the rather high sounding titles of Institutes of Science and Technology, built by local communities to serve their special needs (at the slightly more advanced level than the village polys in crafts and technology. About eight are now in operation.

The growth and encouragement of village polys and the institutes of science and technology, with their emphasis on rural crafts, science and artisan skills, are a significant pointer to the new trends in Kenyan education. Some 90 per cent of the population lives in the rural areas, and one of the biggest problems is to stop the migration from the rural to the urban areas. Jobs, and education for those jobs, must be geared more to the deprived rural areas.

New programmes and curricula are being worked out now by the Ministry of Education for all levels, the emphasis being changed to the sciences, and especially the sciences relating to agriculture and technology.

The little "Village Polys" are to come more into their own. In future they are to be known as "Craft Training Centres," and are to have stronger government support and encouragement.

John Worrall

Banks as an aid to development

AN EFFICIENT banking system has made a major contribution to the success of Kenya's post-independence economic development.

To-day there are 15 commercial banks with over 270 branches, sub-branches and agencies, as well as mobile banking units. Accounting for over 70 per cent. of total bank deposits are the "big four," Kenya Commercial Bank, Barclays Bank International, the Standard Bank, and the National Bank of Kenya.

The other banks are the National Bank of Kenya, Grindlays Bank International, Bank of Baroda, Bank of India, First National Bank of Chicago, the General Bank of Netherlands, Habib Bank, Commercial Bank of Africa, City Bank, the Co-operative Bank and the Bank of Credit and Commerce International (Overseas) Ltd. Three banks—Continental Illinois Bank, Bank of Tokio and Bank of Yugoslavia—have representative offices in Kenya.

It has been a busy time for commercial banks. The volume of deposits rose from K£358m at the end of 1976 to K£525m at the end of 1977, and their liquidity at 37 per cent became overwhelming.

Money kept voluntarily by the banks at the Central Bank—"doing nothing at all," as the Governor, Mr. Duncan Ndegwa put it—rose from K£21m at the end of 1976 to K£58m by December 1977. "Treasury bills which at one time were 0.01 per cent became the only attractive alternative for investment of surplus funds," noted Mr. Ndegwa.

Even at these peak levels no bank announced lower interest rates although generally banks were prepared to make loans at anything from 7 per cent upwards.

At the moment Kenya does not have any organised discount market, but the Kenya National Capital Corporation, owned 60 per cent by the National Bank of Kenya and 40 per cent by Kenya National Assurance Company, and established recently, will be able to provide discount services in bills of exchange, bankers acceptances and government paper. It aims to provide merchant and investment banking services and offer investment facilities for companies' surplus funds, in deposits, bonds, shares and property.

There is also a wide range of non-bank financial institutions consisting of a post office savings bank, housing finance companies, hire purchase companies, two industrial development banks and two locally incorporated non-bank financial institutions, the Kenya Finance Corporation and the Continental Credit Finance Company.

The Central Bank of Kenya was inaugurated in September 1966 under a statute which set out four principal objectives. These are: to regulate the issue of notes and coin, to ensure a sound monetary, credit and banking system and to serve as both banker and adviser to the government. The Central Bank of Kenya Act stipulates the limits to the total credit that government can take directly or indirectly from the Central Bank.

The conservative fiscal policies of the Central Bank, have been an important factor in international confidence. The broad policies have remained the same since independence: to maintain sound money and control the rate of inflation, to check the rapid deterioration in the balance of payments, and to protect the key productive sectors of the economy—namely agriculture, manufacturing exports and small African business.

The rate of inflation—around 14 per cent and possibly rising—has become particularly worrying, and last month the governor spoke of his determination to bring the rate "well down" into single figures.

One cause was the enormous 47 per cent increase in money supply last year as earnings from record coffee and tea crops poured in. Last month, the governor outlined measures to reduce the impact. Overall credit expansion by commercial banks is to be in the region of 22 per cent during the fiscal year 1978-79. After taking into account the expected credit to government, this would limit credit expansion to the private sector to about 18 per cent from July 1978 to June 1979—a sharp fall compared to the 33 per cent expansion in bank credit to the private sector in 1977.

He also stressed the role of commercial banks in the country's policy of shifting development from urban to rural areas.

"The authorities expect commercial banks to help in channelling some of their surplus savings into the development of rural areas instead of transmitting them to urban centres where they are used mainly for financing trade. Commercial banks which are purely urban centred in this country should not expect the authorities to look at their activities with favour in the years ahead."

The most important aspect of this development policy is the provision of credit to African farmers and small businessmen. As in other countries, it is done by encouraging the banks to lend a percentage of their deposit liabilities.

There has been limited success. Despite what the Central Bank described as "excessive liquidity" throughout 1976-77, by June 1977 the Commercial Banks' agricultural credit was only 11 per cent of their net deposit liabilities. Only four of the 14 banks then operating had reached the 17 per cent target. There are signs, however, that the position may be improving. In the quarter ending December 1977, credit to the agricultural sector had risen nearly 22 per cent, pushing up agricultural credit to five points below the 17 per cent target.

The main problems are the comparatively high rate of risk for the banks in lending to smallholders, but equally important is putting banking services within their reach—hence the Governor's warning against "purely urban centred banks."

Nairobi maintains a small but vigorous stock market in which some 70 counters are traded. Not surprisingly, the past year has seen a high level of activity. Transactions on the exchange amounted to 9.3m in 1976-77 compared to 5.9m in 1975-76, while the value of transactions rose K£2.6m to K£20.5m. The index of prices shot up from 197 in June 1976 to 288 a year later, and now stands at around 430.

Very few companies have gone public in the past few years, but the case of the Industrial and Commercial Development Corporation Investment Company illustrated the potential demand for shares. Towards the end of last year, the company sought to increase its share capital from KSh 6m to KSh 15m by selling 1.2m shares to the public at the current value of 13 Sh per share.

The result was over Sh34m in 11,000 applications, 99 per cent of which applied for less than 2,000 shares each, representing 77 per cent of the amount.

M.H.

Hard fight for tourism

KENYA'S CLASSIC tourist attractions are still among the finest and most varied in the world. Growing numbers of people come from Northern Europe to stay at luxurious hotels on the sunny Indian Ocean coast. Others come to safari among the game parks where, despite the depredations of poachers, large herds of elephant, zebra wildebeeste and antelope roam, and lucky tourists can photograph lion with their kill. The hunting safari is definitely "out," by law, at some cost to professional hunters and government, and photographic safaris are the order of the day.

Because Kenya knows it has an unrivalled product to offer tourists, and tourists keep coming, there is a tendency towards complacency in government and the tourist trade. The industry is beginning to realise it cannot afford this attitude and, although optimism abounds in some quarters, the going is likely to be tough in coming years.

Kenya is now having to compete hard with other long-haul destinations. Many of them are very attractive, though distances (and therefore air fares) are bigger. They include Hong Kong, Singapore, Bangkok, the Seychelles, Mauritius, the West Indies, and soon, it is forecast, South America.

A keen new competitor is developing in Kenya's neighbour and erstwhile partner, Tanzania. Kenya-orientated tourists can no longer go into Tanzania. (The Tanzanians said with some logic that Kenya was taking the cream), and Tanzania is now trying to sell its own wild life attractions, and its own beautiful beaches, very hard in the world market.

Thus the Kenya tourist authority is forced to spend much more money on promotion in continental Europe, Britain and especially North America: this year close on K£1m (£1.4m).

Spectacular

Kenya has recently opened a spectacular new airport at Nairobi at a cost of K£30m to cope with increasing numbers of tourists, businessmen, diplomats and official visitors.

The old airport at Embakazi handled 1.5m passengers a year at its demise, compared with 250,000 in 1960. The new airport is designed to handle 1,200 departing and 1,200 arriving passengers every hour. The semi-circular passenger and cargo terminal is unique in Africa and is like only two others in the world.

The head of Kenya's biggest hotel owning and managing chain, African Tours and Hotels, Mr. Henry Daly, says: "We are just right on prices and can compete favourably, but we are having to work harder to maintain present levels."

The Kenya Government's Ministry of Tourism and Wild Life says tourism is still riding high and will continue to do so.

The industry is of course having to contend with rising costs in almost all directions, from higher air fares to higher electricity and water costs, not to mention tourist orientated imports like wines and spirits. This has had its effect on hotel rates, conservatively estimated by KTDC at between 10 and 15 per cent higher in a year.

Others in the tour business, however, are not so happy about rising prices. The Kenya Association of Tour Operators recently expressed concern about "escalating prices," and warned that this trend could adversely affect the industry. Mr. Gideon Kago, the chairman said it was becoming increasingly difficult to sell safaris up country because tourists regarded the hotel rates as "prohibitively expensive."

On the whole it seems to be easier to sell coastal holidays than safaris up country, which take in the big national parks and game reserves.

Despite these worries, which are not new, Kenya has built up a very prosperous tourist industry, which has brought a great deal of foreign exchange into the country, second only to agriculture. This year, according to Government estimates, it is likely to reach a record K£50m.

Tourism is a sensitive plant and depends a lot on internal economic and political stability. Tourists will not go to troubled places. In the Third World, political stability can be disturbed at the stroke of a pen or the movement of a tank. President Amin's coup in neighbouring Uganda, and its repercussions, destroyed a prosperous tourist industry.

One indication of the sensitiveness of this plant is the falling off recently of the American tourist traffic, estimated at about 25 per cent. "To the Americans, Africa is a dangerous place these days," one tour operator told me. "The trouble is they are weak on geography and African affairs. They think Idi Amin terrorises the whole continent, the guerrilla war in Rhodesia is down the road, and we are right in the middle of the Horn of Africa."

Big Kenya tourist promotions are going on in the U.S.—for instance, the recent Kenya Fair in New York—and it is hoped to bring the Americans back.

The loss of American tourists is compensated for by the spectacular increase in tourists from West Germany, who are now top of the league, followed by British visitors: many others come from Switzerland, Italy, France and Scandinavia. New markets are being tapped in Japan and among expatriates in the Middle East with nowhere to go.

The Germans, the Swiss and the Italians are mostly attracted to the Kenya coast and its fine hotels. Since the recent expansion of Mombasa Airport, the Germans have flown in on weekly flights carrying 500 at a time on cheap package tours.

The past year has not been easy for Kenyan tourism. The break up of the East African Community had big repercussions. With the collapse of East African Airways, the Community carrier, Kenya had to create in a very short time its own national carrier, Kenya Airways.

The break up, we have seen, also led to the closing by Tanzania of the common border, and a complete break with Kenya in tourism. Tour agents, many based in Kenya, used to combine Kenya game and coastal tours with tours of Tanzania's spectacular Serengeti Plains, the Gorongoro Crater and Mount Kilimanjaro. All that has now ended.

Only a few weeks ago the Tanzania Tourist Corporation said the border would remain "permanently closed," as far as tourism was concerned.

For some months Kenya tourism was badly hit by Tanzania's action. But the situation may now well be working to Kenya's advantage.

The Kenyans have been induced to open up new areas of the country to tourism, especially in western Kenya, which has been largely neglected in the past. A new hotel, the Sunset, has been opened on Lake Victoria, near Kisumu, which is already proving too small for demand. There are plans to open up this magnificent lake, the largest in Africa. There is a growing demand for more lodges and hotels in the Mount Kenya area, and tourism is pushing further north into the desert "camel lands" beyond Marsabit.

One comparatively new trend is the establishment of camps for tourists who like the open air life and want to feel the immediate presence of the bush and its animals and birds. Log fires, a bar, a restaurant and either tents or wooden cabins can come for about K£25 a night per twin tent with full board.

Operators are opening up attractive new circuits. Even isolated Lamu, the "lost island" up the coast near the Somali border with its historic Arab Swahili traditions and architecture is losing its inaccessibility with regular light aircraft communications.

One tour operator is organising tours of the remote islands of the Lamu Archipelago where Arab ruins abound, using small powered Arab dhows equipped with bars.

Kenya scores tremendously by having built up over the years a thorough-going tourist infrastructure. Tour operators abound, many now run by Africans, with fleets of mini-buses, aircraft laid on at the drop of a hat (most country lodges and hotels have landing strips) and trained couriers with a knowledge of the country. Roads have been improved enormously and there are few main centres not reached by a good tarred road, but a lot remains to be done where access to smaller lodges and camps is concerned.

J.W.

The end of the hunting safari

FOR YEARS world conservationists have been sniping at Kenya. Where is all the wild life going? Is Kenya neglecting this priceless heritage? It may be that time will show that Kenya, in the words of the celebrated British elephant expert, Dr. Iain Douglas-Hamilton, is now becoming a "model for Africa" in conserving its wild life. It is not too soon!

Last year the Kenya Government banned both organised big game hunting and the sale of trinkets and trophies.

The wildlife conservation issue is crucially important to the tourist industry, to conservationists abroad and in Kenya itself, and to the Kenya Government, whose name has been besmirched abroad for alleged neglect of this priceless heritage.

Take the elephant. And it should be said at once that Kenya is not the only country in Africa to contain large herds of these majestic creatures. They inhabit 33 countries from the west to the east coasts. Dr. Douglas-Hamilton, who lives in Kenya, says almost all elephant herds are diminishing fast.

He estimates that after decades of slaughter the present African elephant population is about 1.5m. Man and his lust for ivory ornaments is the culprit. "The quickest way to get rich quick in Africa is to kill an elephant," a Uganda park warden told Dr. Douglas-Hamilton.

The heaviest concentration of elephants is in Tanzania, which has about 300,000, but this number is falling through poaching.

The next heaviest concentration is in Kenya, which Dr. Douglas-Hamilton estimates to have had 150,000 in 1970, but now has about half that number, largely as a result of poaching. Armed gangs of poachers roam the elephant country, some coming in from Somalia. They are masterminded by ruthless men in the cities who have the means and the network to smuggle the ivory out of the country to the Far East. Almost every week poachers get caught by rangers in the bush or moving their spoils along the roads. The big men are never caught.

Rhino horn, sold in the Far East as an aphrodisiac, leads to the slaughter of hundreds of the scarce and shy rhinos. Leopard skins are an even rarer find, and sell for fantastic sums abroad. Zebra are hunted for their beautiful skins.

Poachers

War is waged daily on the poachers by the armed anti-poaching squads run by the Kenya Game Department. The Police have a special anti-poaching unit based up country. The Ministry is now stepping up the war with sophisticated weapons, radio apparatus, vehicles and planes, including helicopters.

The World Bank has recently given Kenya K£10m for improving wild life resources. K£1m of this is going to anti-poaching campaigns.

The whole organisation of wildlife has been taken over by the Ministry of Tourism and Wild Life, which entailed the end of the National Parks in their autonomous form. Some game wardens complain of bureaucracy. Some in the wild life business allege that poaching is organised by unnamed men in the Game Department. Taking its new responsibilities seriously the Ministry created a new department, Wild Life Conservation and Management Services.

Early last May the Kenya Government took the dramatic step of banning regulated game hunting altogether, although in the past certain species like the elephant, the leopard, the cheetah and the rhino had been protected from hunting. There were 2,482 licensed resident hunters in the country, and some 120 professional hunters operating hunting safaris for wealthy overseas clients.

Gun licences were withdrawn and weapons had to be handed in. For Kenya it was the end of the era of the hunting safari.

This step was both praised and criticised: criticised by the pro-hunting groups on the grounds that armed professional hunters and their clients were more effective in warning off poachers than the anti-poaching units, which are still thin on the ground, and that ranchers and private land-owners who rented hunting concessions would no longer have the incentive to allow wild life to remain on their property. Somewhat paradoxically, professional hunters are among the most dedicated conservationists.

The Government believes that the ban on hunting will underline its concern about the decline of wild animals. It was felt that the hunting ban would help the Game Department to control poaching, since all those found with firearms would be automatically under suspicion.

Banning hunting without banning the proceeds of hunting was thought to be illogical, so the Government's next step was to put a ban on trophy sales in the curio shops of Nairobi and Mombasa. This was done last December, and began Kenya's biggest ivory rush as the shops disposed of their vast stocks of carvings, trinkets and bracelets. They went for knockdown prices, as did skins, horns and lion's teeth.

All stocks unsold were confiscated by the Government. The question is now: what is happening to the unsold ivory? The Government may be intending to hold the ivory auction sale to end all sales.

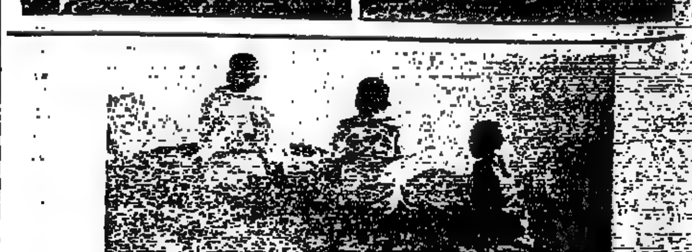
The elephant experts know that the final answer to poaching is to smash the international trade in ivory which centres on Hong Kong.

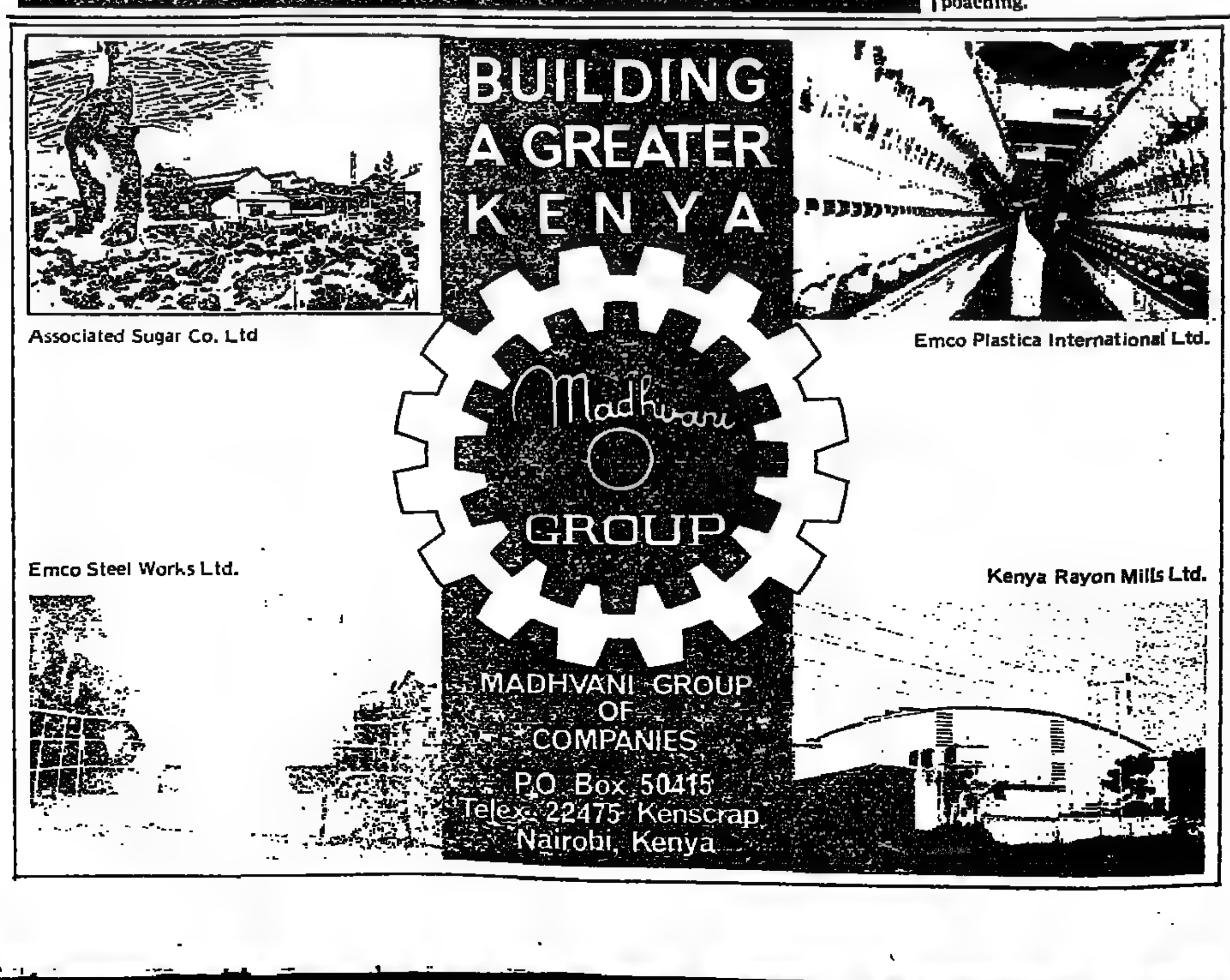
But the elephant in Africa is not only threatened by poaching. He is also threatened by the expanding population. "Where land is used for agriculture it is certain that elephants in the area are doomed, for elephants and agriculture are incompatible," says Dr. Douglas Hamilton.

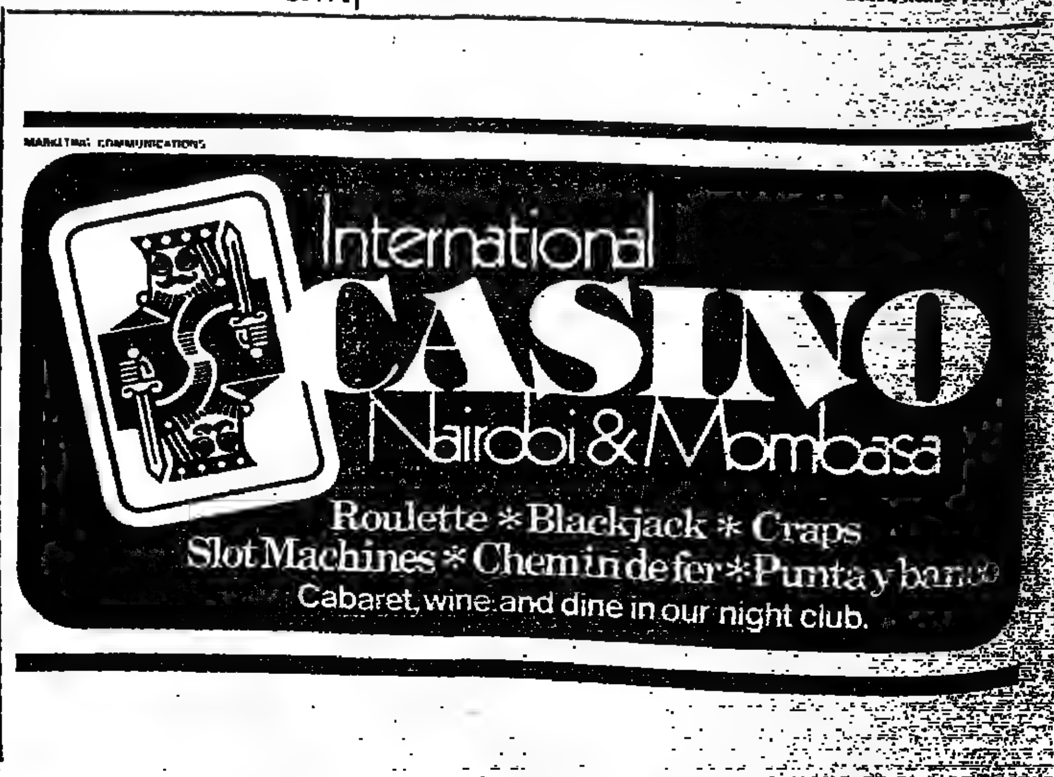
Local people cannot regard elephants with much sympathy when they break down fences and trample over crops. The same applies to other species such as the buffalo.

One of game's worst enemies is drought, and losses of wild life ran into tens of thousands two years ago. Now, however, with good rains all over Kenya, bringing green new life to the bush this year the animals have a chance to recover their numbers.

J.W.







ECONOMIC VIEWPOINT

Summer report on Labour

AS I reach the end of my temporary tenancy of this column, the polls have begun to suggest that Mr. Callaghan and his Government have at least a sporting chance of getting themselves re-elected, and for the moment at least the weather suggests that God is a Labour voter. Certainly a sharp rise of real incomes and a fine summer would provide the best climate the Prime Minister could hope for, and he seems to be trying to take advantage of it to project himself as the kind of unexciting uncle who might prolong this pleasant party. "Cry God for the family, NATO and the *status quo!*"—not a rallying cry to set to trumpets, but it might work. Certainly it is worth considering Mr. Callaghan's record and prospects; this may be our future.

The Government's greatest claim to credit is simply that it has come through, and learned at least something from the battering it has taken. Inspired by necessity and a monetarist son-in-law, Mr. Callaghan appears to have grasped that *Keynes did not invent a recipe* for combining growth with egalitarian socialism, in which Government deficits can take the place of economic incentive; he showed only that a deficit sufficient to offset an excessive desire in the private sector to save can prevent a recession from turing into an outright economic collapse.

The large deficits which have been planned or tolerated in all developed countries, and the fairly benign recession which has resulted, are in fact a triumph of true Keynesian management. It is only the neo-Keynesian error of supposing that he had discovered the secret of growth—a claim he never made—which has been exploded. That secret still eludes us.

Mr. Callaghan would also no doubt claim incomes policy and industrial peace as Socialist triumphs. The truth is again that experience has been the best teacher. The unions have learned to understand the link between wages and inflation, and between inflation and unemployment. The facts of life have won.

Same crisis

The facts of life have again taught the need to control credit. The Prime Minister took office at a time when lax credit control had produced an exchange crisis, and seems to be contemplating asking for a new term during a muted replay *of exactly the same crisis.* It was found always clear analytically that a regime of floating exchange rates would make the control of credit far more important, and with a far more urgent time-scale, than it was as long as fixed exchange rates were credible. Unfortunately technical mismanagement has made it difficult to achieve, and *technical misunderstanding* has directed attention to the wrong measures.

The money supply is only a good measure of the impact of credit policy in a regime of clean floating; the bigger the scale of intervention, the more becomes the relative importance of domestic credit expansion. The combination of errors has meant that a policy aimed at stable exchange rates and stable monetary growth has failed on both fronts, while interest rates have become so unstable that the financial markets have become almost totally remote from the process of real investment. Some good marks for effort, but must learn to do better.

These central issues of fiscal and monetary management have precious little to do with socialism, except in the sense that crowding out as a way of life—a result of the way the Government deficit is financed rather than its sheer size—has driven industry into the arms *of Government for its* money. Stock relief, investment allowances, and the various lame duck schemes have become an industrial money transfusion service. There is no sign that this extension of corporatism was in any sense planned, and indeed the Government has done little to exploit the power implicit in *the dependence of industry on* its goodwill; it is inadvertent socialism.

The Government has lugged only two pieces of explicitly socialist baggage into this financial area: exchange control and dividend control. Each has in fact helped to prevent the Government from achieving its own economic objectives, and *helps to explain the very* disappointing pace of recovery now—not really what the Government had in mind when it planned its economic election strategy.

The way in which exchange controls have hampered growth and investment is difficult to explain to a sceptic, because such controls, if they are kept on for more than a short time, create their own justification. The fact *remains that the recovery of the* balance of payments and of external confidence in Britain last year would have been far more helpful if the Government had allowed the private sector to reap some of the overseas benefit.

Exchange controls mean in effect that when the private sector achieves a surplus overseas, the State claims a monopoly right in acquiring the corresponding overseas assets. This means that it must not only finance its own excess spending, but its acquisition of foreign currency. A failure to acquire *sufficient currency, and to finance its acquisition soundly, means* both a *sharp temporary* rise of the exchange rate, and a *sharp rise of* the money supply. Meanwhile long interest rates are much higher than they need have been, and the financial recovery of the private sector is impeded. The result, so far from keeping investment funds at *home, is to reduce investment.*

The second stage of this *drama aggravates the damage.* The rise of exchange rates to an unsustainable level erodes profit margins in export markets, and undermines industrial confidence. The rise of the money supply, and the relapse of the exchange rate from its speculative peak, does the same for finanical confidence. At the end of the cycle inflationary *fears* and interest rates are higher than they would otherwise have been, real growth is less; yet the weakness *of the currency and the loss* of part of the reserves acquired *make it appear absurd to argue* that we should be much better off without exchange controls.

This is an expensive piece of baggage, and we may be lumbered with it for a long time yet. It means in essence that any strong improvement in the balance of payments will produce a repeat performance of the kind of inverted crisis we have just suffered. It actually drives the Government to improvident management to prevent the North Sea oil balance producing a solid surplus. Any talk of uses for North Sea oil other than enhanced consumption is largely a waste of breath.

The continuing limitation of dividends is by comparison a *minor irritation,* but it helps to complete the job of stifling *growth.* It *means simply* that investors cannot take it for granted that a really successful company will be a rewarding one in which to hold shares, and helps to explain why share values in real terms have fallen by more than half while output has just achieved a peak higher than the last five years ago. It is an aspect, if you wish, of crowding out. It ensures that takeover is cheaper than real expansion, and inhibits the flow of new issues which would fund bank indebtedness just as effectively as the latest tap stock.

Huge issue

It is also part of the strategy which has led to huge issues of high coupon debt. This means, incidentally, that if another Labour Government succeeds in its treasured objective of *halving the inflation rate again,* it will at last have achieved a *genuine redistribution of personal* incomes. One or two per *cent of national income will* have been transferred from taxpayers to holders of private sector pensions. That is the implication of paying 5 or 6 per cent in real terms on Government debt.

However, some muddle is to be expected from those who simply muddle through—and we have come through. We might have come through with a stronger economy, but we might have done a great deal worse, and been a great deal more divided and angry than we are. Mr. Callaghan can run as a national manager without *too many blushes.*

As a socialist, on the other *hand, he has a less impressive* record. He is probably glad of this fact, and counts it an electoral asset; but from a national point of view, it is almost certainly a pity. We have no need of any Government determined to reinforce trade union monopoly powers *—about the only field* where the present Government has *established any legislative* legacy; but there are some jobs that a socialist government can be expected to do more readily than a Conservative one, and which need doing.

One of the most urgent used *to be summed up by Sir Harold* Wilson, in one of the more *convincing of his standard* speeches, as the task of favouring those who earn money rather than those who make it. He never started on the problem.

The present Government came to office with a *commitment* to introduce a wealth tax, which *Mr. Healey said that he hoped* to use to reduce the higher rates of income tax. This is an idea that even the Institute of Directors is prepared to countenance, but the wealth tax was botched, and the idea seems to have died. Later came the Meade Committee, proposing an expenditure tax to achieve the same objective. Not one Cabinet Minister has said a word about it. Socialism still stands for no incentive, and it need not.

UNCLE JIM

Housing again shows the Government's lack of ideological courage. Since I discussed this recently, I need only say that the heaping of fiscal privileges on owner-occupiers goes far to explain not only the oppression of private tenants — "protected" in a way which has destroyed the market — but it *also explains the fact* why 14 years of interrupted socialism have done nothing at all to alter the distribution of wealth. Sir Harold's objective has actually been stood on its *head;* it is the earners who have footed the whole bill for socialism.

Financial mismanagement and a failure to tackle the fundamentals look like two very different charges, but they both have the same root: Mr. Callaghan and his colleagues have never thought through the relation between income flows and capital values. They will observe antique dogmas and cause damage which they neither expect nor understand. *They will not tackle radical* reforms because they do not *understand the need for them.* Uncle Jim seems rather competent in his village-policeman fashion. One can contemplate his renewal in office without too much dread; but the prospect is sadly uninspiring.

Anthony Harris

Letters to the Editor

Graduates for industry

From Mr. G. W. Prior-Wandesforde.

Sir,—The article by Nick Garrett of your Labour Staff in last Thursday's paper (May 25) seems to those of us who are in daily contact with the graduate labour market to strike an unjustifiably gloomy note. While it is difficult to comment in detail, since the Department of Employment's Unit for Manpower *has not yet discussed its* conclusions with careers advisers in higher education, many of us have if anything been surprised at the extent of the upturn in the demand for graduates, particularly by industry this year. The director of our Central Services Unit informs me that the number of jobs appearing in his current vacancies *lists* is running at some 40 per cent above the level at the same time last year. It would thus be wrong for employers or undergraduates to assume that this summer, at least, there will be a large surplus of graduates. Indeed, in areas such as computing and engineering, the shortages are likely to be considerable.

The longer-term situation is more difficult to predict. What is apparent however is that the jobs themselves are changing as well as the attitudes of students and it is no longer sensible to attempt rigid definitions of posts which are suitable for graduates. Higher educational qualifications will prove to be necessary in many fields—and hopefully graduates will prove to be the creators of jobs, not just for *themselves but for others.* Prospects for the next ten years may be uncertain but are by no means entirely gloomy.

G. W. Prior-Wandesforde.
Occupational *Advisory* Service,
University of Sussex, Falmer,
Brighton, Sussex.

Buying a house in Scotland

From Mr. Iain Fraser.

Sir,—On May 12 there was an article on property in Scotland and in particular on buying a house by Ray Perman, your Scottish Correspondent.

As a practising solicitor in Aberdeen and having experience of about 25 years in the property *market, I can at least reply* from experience if not with authority.

It would seem that Mr. Perman has been faced with a series of unfortunate and regrettable circumstances which are most certainly not typical *of* house purchase throughout Scotland and most certainly not in this area. There are many firms of solicitors in Scotland who have partners and assistants who are experienced in the purchase/sale *of property* and can offer a "cradle-to-the-grave" service. Obviously Mr. Perman considers that our system as he saw it should be buried! From the *moment of contact, a solicitor* can provide a service of advising of property on the market in any particular location, the approximate price sought, general information about surveys, the formation of the contract, the funding of the operation and, indeed, every facet of purchase/sale of property right up to handing over the key of the door. There are many *English people* and others from overseas who have expressed very considerable gratitude at the service offered by solicitors and the speed and efficiency with *which the whole operation* can be carried out.

The term "*upset price*" is not one which is commonly known in the Aberdeen area and phrases such as "asking price," "around £ . . ." "offers over £ . . ." *are frequently* shown on Schedules of Particulars supplied to the public. It would appear that your correspondent has suffered an injustice by apparent "*gazumping,*" *but I can assure* you that most certainly in the Aberdeen area where there is a competition for a certain property and closing time is fixed *for offers, the representatives of* those offering attend at the office of the solicitor acting for the seller and offers are opened at the closing time in the presence of those offering. *It is certainly* the practice here for the solicitor opening the offer to ask the authority of the highest offerer to disclose the amount of that offer and then the unsuccessful *offerers are all satisfied that justice* has not only been done but seen to be done. Occasionally embarrassment arises if offers are identical and then these offerers are given the opportunity to re-offer. Obviously the system favours a seller, but the time may come when your correspondent is a seller. Solicitors and estate agents alike and indeed the owners of properties cannot be fully informed as to the value of any particular property until that property has been marketed. Obviously a seller is out to get the best price, he can and, a purchaser *must* be prepared to put his best foot forward and offer a price which it is thought would secure the deal for him.

At least the system in Scotland holds a considerable amount of merit that once an offer has been accepted in writing there is then normally a binding contract and there need be no fear in the minds of the parties concerned that the property involved may still be unsold. *Normally people* coming into Scotland are surprised at the speed and efficiency with which surveys/valuations can be organised and a contract of purchase concluded.

It is hardly reflective of the *whole situation in Scotland and* the system involved that your correspondent should attempt to equivocate his misfortunes with that of a system which would appear to be lauded by many.

Competition is good for business, and efficient solicitors involved in the property market have a good relationship with and can, indeed, happily co-exist with estate agents. The concept of Solicitors' Property Centres in Scotland is one which appeals to those *looking for property* where an intending house purchaser can generally find a high proportion of property on the market all contained in a property *bulletin* available at a minimal cost.

Every system has its faults, but to specialise and condemn a system on what would appear to be an isolated occasion is hardly *reflective of an accurate assessment* of any system.

Iain Fraser.
PO Box 65, Investment House,
6, Union Row, Aberdeen.

Numbers of unions

From the Chairman, Advisory, Conciliation and Arbitration Service.

Sir,—In his letter in your issue of May 25 Mr. John Lyons is mistaken in describing the existing shipbuilding agreement relating to management staff as a "representation agreement." It is, in fact, a collective bargaining agreement, which enables CSEU unions not only to make representations on *questions* affecting individual members but also to raise collective issues affecting members and to submit national claims.

A representation agreement as normally understood by ACAS is *one which provides only for the* unions concerned to make representations on behalf of individual members with no right of collective bargaining. A *representation agreement does not constitute* collective bargaining within the meaning of the Trade Union and Labour Relations Act 1974. There is no doubt, in my view, *that the CSEU agreement in shipbuilding* provides for collective bargaining.

Mr. Lyons' approach to trade union representation in engineering differs from that put to ACAS by the majority of employers and trade unionists in federated firms. Mr. Lyons favours the further fragmentation of trade union representation. Most employers and most trade unionists do not.

Mr. Lyons is entitled to his view but the Council of ACAS cannot disregard the views of all who may be affected by *recognition claims.*

J. E. Mortimer.
Cleland House, Page Street, SW1.

Accounting for capital projects

From Mr. S. B. Tietz.

Sir,—The recent White Paper on road construction and the findings of the Leitch Committee show that the Department of Transport realises *that all is not* well with the method of appraisal used *for* large capital projects in the public sector. This problem of accountability is by no means confined to roads as the argument between the steel industry and the Select Committee on Public Expenditure demonstrates. It is by now too difficult to follow the intentions of the bureaucrats and also horrifyingly expensive for any group of citizens to analyse departmental proposals and put up counter proposals.

A radical overhaul is by now required, which permits Parliamentary and public understanding which enables alternatives to be assessed and allows effective scrutiny of major capital projects be they in roads, energy *or* other physical investment. Something along the lines of the American impact study system is needed but it should avoid the cumbersome reliance on the Law Courts which the American system involves.

A Major Capital Developments Commission *is required to scrutinise* major developments in the public sector, to explore alternatives, and to ensure that schemes can be considered by Parliament and not just by Ministers *and* their Departments.

Parliament could *have a Major* Capital Developments Committee to steer the Commission, which would consist of a small permanent staff employed to liaise with other Departments *of Government,* and to scrutinise major proposals. The Commission should be separately funded, preferably directly from the Treasury. It and the Parliamentary Committee would need access to *experts through co-option,* fee payment or single *project employment.*

Normally a new proposal *would start* with a *brief,* prepared by the Department responsible. This would set out the aims of the development and public comment would be invited via the Commission. Their *role* would be similar to that of the World Bank, *inviting* proposals and occasionally study bids for *major international* developments with bank funds attached. Either the Department, or alternatively, a subcontractor such as a University Research Unit or independent *consultants* would be engaged to assess and report *on the ideas* received.

The implications of the *development* would be shown under various headings to suit the nature of the development. For example, the Leitch Committee reported on headings appropriate for highway developments and especially environmental *impact.* A *target budget* and programme should be stated. A period would then be allowed for public comment, discussion and raising of objections. These would be available so that those interested could see each other's comments. The British Standards Institution has used this method for comments on Codes of Practice and such practices are preferable to those of Government *Departments which also* invite comment but do not allow objectors to see each other's opinions.

Interested parties should then agree and report on further study they want sponsored to the Commission. Where accepted, the study of the alternative *should rank for a "grant in aid."* The Commission would set out the brief, list criteria for future assessment, set out a programme and agree these with the Department and objectors. The Department or its agent *would be responsible for* the design of the scheme it favours and the appellants and their advisers would prepare the alternatives. The Department would make available all its special information regarding *sites,* and *their conditions,* giving both the Department and the Commission the same basic information.

In due course there could therefore be two technical studies, both published as public *documents,* and *not subject to* the veto of the Department. The Commission might occasionally need to restrict publication but only where public good can be established.

The Public Inquiry which would probably still follow, should be relatively simple and much shorter as much *of the* work now frequently arising during an Inquiry will already have been done. Furthermore, the public would have easier *access to information, currently* a difficulty.

The cost of implementing the suggested procedure is important. Only for road proposals is there sufficient precedent to gauge possible cost. Alternative schemes have been assessed and preliminary designs for highways *prepared for approximately one* per cent of the capital cost of the project. Such a sum should allow comparison of alternatives and their publication in sufficient detail to be of value. Potential savings on schemes then executed can be *disproportionately* greater. Overall, the Commission should save more than its costs.

It is important to widen the base of ideas drawn on before major resources are allocated to a development and it is perhaps even more important that the *public and their elected representatives* should have the facility for assessing why and how such resources are deployed. The Major Capital Development Committee and its Commission should make this possible.

S. B. Tietz.
S. B. Tietz and Partners.
10-14, Macklin Street, WC2.

Today's Events

GENERAL

Prime Minister expected to *discuss world trade with President* Carter in Washington.

Delegation from Building Societies in talks with Government officials on interest rates.

Publication of two reports from the Advisory Committee on Asbestos covering proposals to *license asbestos insulation* companies and also suggestions for improving techniques for measuring air in factories.

Officials of Shetland and Orkney *islands meet in Lerwick to discuss* common policy on status prior to meeting with Mr. Bruce Millan, Scottish Secretary, on June 3-6 for talks on new clause in *Scotland Bill.*

Ban on sale of commodity *options in the U.S. by order of* the Commodity Futures Trading Commission.

Lord Allen of Abbeydale, chairman of the Occupational Pensions Board, announcing *proposals to* study pension rights on changing jobs.

Commonwealth Development Corporation annual report.

Statement by Automobile Association "Drive" magazine on driving schools and road safety.

Lord Mancroft speaks on "Evil Communications Corrupt Good Business" at luncheon meeting of City and Westminster Junior *Chamber of Commerce,* Cafe Royal, W1.

Lord Mayor of London attends luncheon with Institute of Chartered Shipbrokers, Baltic *Exchange, EC3.*

The Queen and Duke of Edinburgh visit Institution of Civil Engineers at Westminster.

Prince Charles attends Captain Cook anniversary celebrations, Whitby.

Special session of United Nations General *Assembly* on disarmament continues in New York.

COMPANY RESULTS

British Petroleum (quarter figures). Charterhouse Group (half-year). Coalite and Chemical Products (full year). Morgan *Crucible (quarter figures).* UBM Group (full year).

COMPANY MEETINGS

Clive Discount, 1, Royal Exchange Avenue, EC, 12. *European Ferries, Winchester House,* EC, 11.30. Farnell Electronics, Queen's Hotel, Leeds, 1. Felixstowe Dock and Railway, 11, Waterloo Place, W, 10. Green's Economiser, Connaught Rooms, Great Queen Street, WC, 12. Hestair, Hyde Park Hotel, SW, 12. *Thomson T-Line Caravans,* Park Hotel, Falkirk 12. Toye, Connaught Rooms, WC, 12.

COMPANY NEWS + COMMENT

Dunhill ahead £0.43m to peak £9.65m

TAXABLE PROFITS of Alfred Dunhill finished the year to March 31, 1978, ahead at a record £9.65m against £9.22m after a rise at the interim stage from £4.26m to £4.6m. Turnover for the full period was well up at £52.56m compared with £37.83m last time.

Earnings per 10p share are shown as 51.2p (51.1p) and a final dividend payment of 6.05451p lifts the total to 8.71651p (7.88686p) net, absorbing £739,000 (£656,000).

The directors state that profits and losses which arise from converting the opening net assets of the overseas subsidiaries at year-end exchange rate, are taken direct to reserves. For the year, the amount involved was a loss of £114,000 (£254,000 profit).

Tax took £5.02m (£4.74m) and comprised, UK corporation tax £2.28m (£3.45m); overseas tax £1.93m (£1.03m) and deferred tax £0.81m (£0.27m). The attributable balance came out at £4.32m (£4.31m) after minorities £0.3m (£0.16m) and after dividends, £3.56m (£3.63m) was retained.

HIGHLIGHTS

Full-year figures from Reed International are accompanied by a sharp drop in the dividends and a reduction in shareholders' funds. However, Reed is sounding slightly more hopeful regarding the outlook. Meanwhile, Marley's profits are below expectations and the improvement in France is the main reason behind the 11 per cent. increase in profits. Lex identifies the treatment of House of Fraser as an associate at Lonrho which has added about £5m to Lonrho's profits. That aside, the underlying trading performance is poor. John Bright shows a significant profits drop though the second half did show some improvement. Invergordan's profits are buoyant and Norwest Holst is also well up. Bilton's prelims contain no nasty surprises and the market can now look forward to the results of the recent revaluation.

Two new directors for Monk

TWO NEW non-executive directors have been appointed to the Board of A. Monk, the building company in which St. Piran has been showing an unwelcome interest.

The two men are Mr. J. E. Bywater, former chairman and chief executive of Sime Darby Holdings, and Mr. P. W. Robinson, a director of Davy International and chairman of Herbert Morris.

In January this year, Monk refused to accept any representatives of St. Piran on to the Board. St. Piran owned 20.53 per cent of Monk at that time but Mr. William Whittingham, chairman and managing director of Monk, said he could see no advantage in having a St. Piran representative. He commented: "All the present directors have been with the company for a long time and bringing in an outsider would upset the pattern."

Last month St. Piran's stake had reached 2,695,000 shares (25 per cent).

Grays inquiry chief named

THE CHIEF Registrar of Friendly Societies has appointed Mr. Murray Stuart-Smith, QC, as an inspector to inquire into and report on the affairs of the Grays Building Society.

Mr. Stuart-Smith's appointment is in addition to that of Mr Ian Davison already announced.

Alcan (UK) loan stock conversion

Holders of 82 per cent of the outstanding Alcan Aluminium (UK) 9 per cent convertible loan stock have given notice of conversion and the remaining 18 per cent might be compelled to convert.

As things stand, 16 per cent of the company's equity will soon be in British hands. The Canadian parent held £1,540,000 of the £8,285,213 stock which is to be converted.

Mr. Donald Main, finance director of Alcan Aluminium (UK), said yesterday that most of the shareholders who had not converted were private individuals. Compulsory conversion will probably be used "in their own interest," he said.

Alcan has applied to the Stock Exchange Council for a listing. If it is granted, dealings will start on Monday.

Recovery continues at Causton

THE RECOVERY begun in the second half of 1976-77 at Sir Joseph Causton and Sons has continued with the trading profit for the March 31, 1978, six months at £288,000 compared with a £23,000 loss previously.

The pre-tax profit was £259,000 against £35,000 and while last year's result was assisted by employment subsidies totalling £283,000, these contributed only £84,000 this time. Interest charges were halved to £113,000 in the period owing to lower interest rates and reduced borrowings.

For 1976-77 pre-tax profit of the lithographic and letterpress printer was £318,000. Losses of £0.95m were incurred in the two previous years.

Mr. Christopher Bland, the chairman, says the better result reflects improved trading conditions in the commercial colour print market, with the Eastleigh division making a small profit in contrast to a substantial loss last time.

The re-organisation of the London division and continued steady growth in the Eastern, Couchman and Folding Box divisions were also responsible for the improvement.

The profit came on turnover of £5.26m (£4.76m) and is subject to tax of £18,000 (nil) and before extraordinary losses of £60,000 (£31,000), mainly related to redundancy payments in the London division.

Mr. Bland says that although the group continues to operate well within its facilities, bank borrowings are still high, and no interim dividend is proposed for the year.

Dividends of 1.6708125p were paid in 1973-74 when profits were £222,869.

J. Bright more than halved

FOLLOWING A fall at halfway from £415,601 to £101,478 John Bright Group, yarn and fabrics manufacturer, finished the year to April 1, 1978, with taxable profits more than halved from £1.25m to £506,000 on turnover little changed at £20.87m, against £20.7m.

Earnings per 25p share are shown to be down from 5.368p to 3.259p and the dividend is maintained at 2.42p net, with an unchanged final payment of 1.47p.

The directors say that demand for group products became increasingly affected by the world wide recession in industrial activity. The modernisation of the industrial textile division is now in an advanced state, they add.

Results are arrived at after charging an exceptional debit of £271,000 for the year in respect of a loss on the purchase of raw cotton, and interest, this time, paid on the medium term loan of £57,000.

Also there was depreciation £412,000 (£405,000), interest on 8 per cent Unsecured Loan Stock £64,000 (same), and interest received £29,000 (£35,000). For the period there was a credit of £373,000 from the Temporary Employment Subsidy, and a £160,000 interest relief grant.

There was also an extraordinary debit of £98,000 being the provision for closure costs of the Preston unit. Last year there was a gain of £89,000.

	1977-78	1976-77
	£000	£000
Turnover	20,873	20,699
Profit before tax	506	1,253
Tax	[illegible]	653
Net profit	355	600
Extraordinary debit	98	89
Leaving	257	689
Preference dividend	9	10
Interim dividend	101	101
Final	156	156

● **comment**

Despite a profits slump of almost 60 per cent at John Bright, the second six months showed some improvement after a first-half contribution of only £101,000. This partly reflects the raw cotton market, where prices fell by 35 per cent between last April and November, but have since climbed back by some 20 per cent. Nevertheless, cotton stock amounting to £271,000 has been written down, most of this coming in the first six months. Demand from the rubber industry for the group's industrial textiles is still depressed and there are few signs of recovery. The tyre cord division, however, has escaped the effects of Goodyear's decision to continue in Bright is the only UK supplier to retain business from this customer. However, the closure of the Preston plant is a sign that the company sees contraction as the only answer. Consumer demand is everybody's hope for 1978 and this at least may help carpet yarns. The outlook, however, is not exciting and although the second half improvement has been maintained in the current year there are no signs of any permanent recovery. At 33p the shares stand on a P/E of 9.7 and yield 11.8 per cent.

Sieff wins top Aims award

THE National Free Enterprise Award for 1978 will go to Sir Marcus Sieff, chairman of Marks and Spencer, at the World Press Centre on Free Enterprise Day—July 3—Aims for Freedom and Enterprise said.

A special award will go to Mr. Paul Johnson, former Editor of the New Statesman. International awards will go to Mr. Anthony Harrigan, executive vice-president of the U.S. Industrial Council ,and Mr. Trygve de Lange, recently retired as director-general of the Norwegian free enterprise organisation Libertas.

Mr. R. W. "Tiny" Rowland, chief executive of Lonrho.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
P. Bilton	3.98	July 21	3.34	6.18	5.53
J. Bright Grp.	1.47	July 20	1.47	2.42	2.42
Carr's Milling ....int.	0.96	—	0.88	—	2.63
John Crowther	0.65	—	0.59	0.65	0.59
Dubilier ....int.	0.53	July 21	0.48	—	0.99
A. Dunhill	6.05	July 27	5.38	8.72	7.89
Edinburgh & Gen.	Nil	—	0.65	Nil	0.65
Invergordon Dist.	1.58	Aug. 3	1.4	2.23	2.02
Kelsey Inds. ....int.	1.23	July 14	1.25	—	3.23
M & G Group ....int.	1.51	Jun. 23	1.38	—	3.46
M & G Second Dual	2.31	July 18	2.04	5.06	4.34
Marley ....int.	1	Aug. 7	1	—	2.49
Norwest Holst	4.08‡	—	4.19	6.88	6.3
Reed Intl.	2.04	Aug. 15	7.04	8	13
H. Samuel ....2nd int.	8.5	July 17	6.4	10	7.5

machine 44——

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross throughout.

Shutdown fear at Short's

BY OUR BELFAST CORRESPONDENT

SHORT BROS, the Belfast aerospace company, faces a total shut-down soon because of a pay strike by 1,500 white-collar workers, Mr. Philip Foreman, chief executive, said yesterday.

About 600 of the 4,000 production workers have been laid off so far because of the strike by technical and design staff and their clerical and administrative colleagues.

The dispute began over the widening of pay differentials between staff and shop-floor workers. A bonus scheme offered to the staff was turned down.

Mr. Foreman said: "It is a very serious situation to which we really see no solution. A shutdown could lead to a loss of important component orders from Boeing and Rolls-Royce."

The Michelin tyre company, whose Mallusk, Belfast, factory has been closed by a five-week strike by 250 employees over dismissal of a shop steward, has warned in newspaper advertisements of "the obvious consequences" for the 2,500 workers and their families if the stoppage goes on.

Kelsey down £0.2m in first half

ALTHOUGH TAXABLE profits for the half year to March 31, 1978, of Kelsey Industries fell from £981,415 to £782,243, the directors are hopeful that the final outcome will not be materially different from last year; profit for the whole of the 1976-77 year was a record £2m. They say the continuing absence of long term manufacturing orders precludes any realistic forecast.

Turnover for the six months was ahead from £7.59m to £8.88m but the directors explain that the higher figure arises more from increased prices paid for raw materials, than from a greater volume of business. And profit margins have not kept pace with costs, they add.

On increased capital from scrip issues and consolidation, earnings per 25p share are shown as 8.5p (10p) and the interim dividend payment is unchanged at 1.25p—last year's final was 1.98475p.

Net profit was £325,243 (£459,415) after tax took £457,000 compared with £522,000.

Exports continue to be a major part of the sales of the manufacturing companies and the jointly-owned company in the U.S., BIB Hi-Fi Accessories Inc., is progressing.

The order book of the roofing contractor company is in line with budgets but the amount of work completed has been adversely affected by the long winter.

The principal activities of Kelsey are the manufacture and sale of solder, soldering and audio accessories, sealants and mastic compounds and carries on business of industrial roofing and insulation contractors.

New insurance company rules from August

NEW REGULATIONS come into operation at the end of July requiring information to be given to the Secretary of Trade about people who intend to become controllers of, or who have recently become directors or managers of, existing insurance companies.

They supersede regulations made in 1975 and take into account subsequent developments and experience.

They require those affected to give slightly more information about themselves and resolve certain doubts over the application of the earlier regulations.

The information is needed to enable the Trade Secretary to consider whether a person concerned is a fit and proper person to hold such a post.

STRIKE HITS LE NICKEL

In protest against production cutbacks, some 3,700 employees of Le Nickel in New Caledonia have come out on strike. The management had earlier stated that production would have to be reduced this year to 44,000 tonnes from 50,000 tonnes originally planned.

The cutback meant shorter working hours and therefore lower wages.

Like other international nickel producers, Le Nickel, which is part of the French Imetal group, has been badly hit by the slump down of demand for the metal. The capacity of the New Caledonian operation is 75,000 tonnes a year.

Near £1m growth at Invergordon

AS FORECAST pre-tax profits of Invergordon Distillers (Holdings) continued to rise in the second half of the year to March 31, 1978, and with an increase from £1.04m to £1.58m for the period the full year figure finished at £2.8m compared with £1.84m.

At the interim stage when reporting an advance from £0.8m to £1.23m the directors said that they expected the improvement to continue for the rest of the year.

Sales for the 12 months were ahead 43 per cent at £15.93m and the directors now say that trading to date indicates a further but more modest increase in the current year.

Earnings per 25p share are stated at 12.44p (7.04p) and the net final dividend is 1.5554p for a 2.23385p (2.02155p) total.

After tax of £377,908, against £470,185 the net balance emerged £1.06m higher at £2.43m.

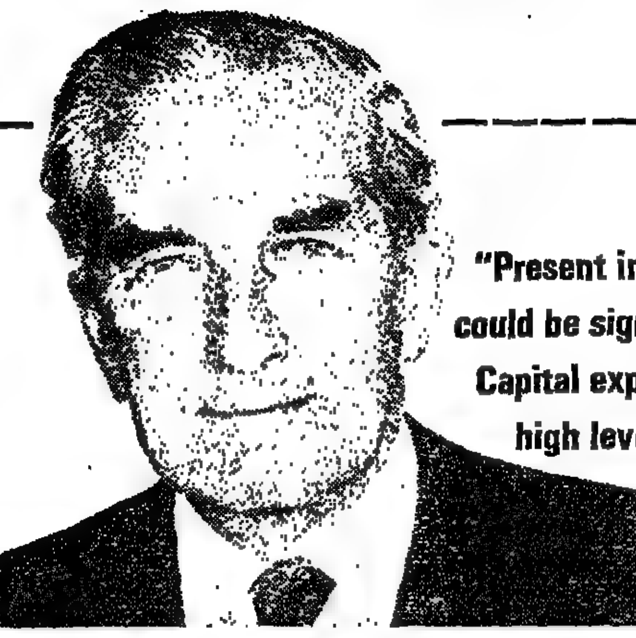
● **comment**

Profits at Invergordon Distillers are up 53 per cent thanks to a small increase in volume sales and slightly better margins on exports. The heavy capital investment of the last five years is now more or less complete and a new still at the Grain distillery in Invergordon will come on stream later in 1978. This will not have a dramatic effect on profits but should help to keep down costs. What is most interesting is the boost to reserves from a revaluation of four malt distilleries and other properties during the year just ended. A surplus of £1.3m was added to shareholders' funds in the last accounts after a similar exercise at the main distillery complex in Invergordon. The company says trading in the current year shows sales slightly up on last time but it may be difficult to maintain the same rate of profits growth. At 101p the shares stand on a P/E of just under 8 and yield 3.4 per cent, though most attention is possibly focused on the possibilities now that Hawker Siddeley has gained control of Carlton—Invergordon's parent.

هكذا من الأصل

Coats Patons achieve record sales of £640m.

Advance in trading profit restricted to 10% by recession and adverse exchange movements.



"Present indications are that 1978 profits could be significantly lower than in 1977. Capital expenditure will continue at a high level in growth areas."

W. R. Henry.

The following is the Review of the Chairman, Mr. W. R. Henry, circulated with the Report and Accounts of Coats Patons Limited for the year ended 31st December 1977.

STAFF

On your behalf I wish to thank all our employees throughout the world for their combined effort in producing a result for the year which, given the recessionary conditions encountered in so many important areas, was a tribute to their skill and involvement with the Company.

THE BUSINESS YEAR

In the first half of 1977 there were signs of a downturn in trade in many countries and the second half-year confirmed this trend. Although our world sales levels fell only slightly, there was a marked drop in thread sales and an offsetting increase in sales of other Group products. Trading margins generally improved but, with a continuing downward trend in thread sales in depressed areas, a further improvement in margins will be difficult to achieve in the immediate future.

The temporary strengthening of Sterling reduced profits by £14,000,000 and necessitated a write-off to reserves of £17,641,000 in respect of net current assets overseas.

TAXATION

We have not adopted the Accounting Standards Steering Committee's proposal, under which no deferred tax provision is required for the liability arising from capital allowances and stock relief if, in the opinion of the Directors, this liability is deemed to be indefinitely postponed. We are opposed to the view that a liability can become a reserve merely because it is undated. It is too reminiscent of the concept that borrowing by the Government from other countries somehow increases the nation's reserves.

If in a year's time the Chancellor cancels the liability for deferred tax arising from stock relief in 1973 and 1974 we shall take credit in the Accounts for the appropriate sum. It is heartening that a British Chancellor and his advisers have finally realised that there is no long term advantage to the nation in taxing inflationary profits. Brazil knew this years ago.

CURRENT COST ACCOUNTING

We have included in the Accounts a statement of the effect of the Hyde adjustments on the 1977 figures. I would only add to the Directors' comments in the Accounts by stating that a considerable portion of the fixed assets, viz., spinning, would not automatically be replaced at the present time as it might prove more advantageous to purchase yarn from third parties. For that reason and the others expressed in the Accounts, I am convinced that the Hyde formula understates the adjusted profits.

PENSIONS

On 1st April 1978 we introduced a new funded pension scheme, with pensions related to final earnings, which replaces the earlier schemes and offers the opportunity to every employee in the United Kingdom to opt out of the new government earnings related pension provisions. This means that we are working towards a situation in which everyone who joins the new fund, from the most junior employee, weekly or monthly paid, to the members of the Board, will have equal rights to pension related to their earnings.

Pension terms and conditions in the private sector are in stark contrast to the blank cheque issued in 1971 in the form of indexed pensions to civil servants and public employees, and adopted by the nationalised industries. Where such pensions are funded, enormous actuarial deficits must—and in some cases have been admitted to—exist. These deficits and the increases in unfunded schemes have to be met by the taxpayer or by price increases levied on consumers by monopolistic public utilities. It is invidious, to say the least, that employees in the private sector must help to provide index-linking for others, a benefit which often cannot be afforded for themselves. In as far as public service pension schemes are funded, they make available large sums for investment on the Stock Exchange, which is not overburdened with new stock issues. The aggregate investment of the public sector pension funds in the private sector could, under certain circumstances, be uncomfortably high.

PRODUCTIVITY

Another heartening fact is the greater acknowledgment today of the need for an increase in our productivity to achieve a prosperous Britain. The lack of it has eliminated our advantages of lower wages and a weak pound which, instead of making us one of the richest countries in the world, were used as soft options enabling us to muddle along.

Our low productivity is often blamed on lack of investment, and in some instances this is probably true. Investment would be fruitless, however, if productivity equal to our competitors' was not achieved, and this fear may be acting as a disincentive on many businessmen.

If so, the fear can only be eliminated through frank and open discussions, preferably conducted between each company and its employees, aimed at achieving productivity parity with our competitors. Acceptance of the need for lower labour costs per unit of production coincides with a period of world recession and, because of this, its fulfilment is bound to increase the level of unemployment, at least initially. A great deal of courage and confidence in the future is required to face this, but it is essential if we are ever to become competitive.

Perhaps if, when the level of unemployment is under discussion, it was customary to add to the conventional figure an adjustment in respect of the level of overmanning that exists nationwide, the figure might be so horrific as to ensure a realistic attitude to the true depth of our national problem.

TECHNICAL INNOVATION

Any apparent dearth of invention in the United Kingdom—or perhaps more accurately, the failure to exploit it—could have various origins. First, the inventor is not necessarily an equally good entrepreneur. Second, funds may not always be available to the man with a good idea capable of exploitation because of the serious disincentive to take risks posed by the present rates of direct taxation.

We, like some others, believe that large companies have a part to play in assisting such exploitation of British inventions. We are therefore willing to assess the viability of any idea or product, if its development would involve our existing technological and managerial skills.

PROSPECTS

Trading conditions in Europe in the first quarter of 1978 are not good, with Italy and Spain being particularly depressed, and there is no immediate prospect of improvement. In North America margins in home sewings remain poor. Latin America, Asia and Australia are more buoyant but conditions in South Africa continue difficult.

In the United Kingdom bookings of yarns and fabrics are down, but some improvement may be seen in the second half-year as a result of the Multi Fibre Arrangement negotiations. In hand knittings there is evidence of a swing in customer preference towards yarns carrying lower margins. Garment sales, with the exception of children's wear, are ahead of 1977.

As the most depressed markets involve Coats, our largest and most profitable Division, present indications are that 1978 profits could be significantly lower than in 1977.

Capital expenditure will continue at a high level in growth areas, and expenditure on modernisation will remain a high priority. The development of new products and activities is being pursued energetically and numerous projects being investigated look promising.

The following are extracts from the Directors' Report:

DIVIDEND

The Directors recommend a final dividend of 2.0972p per share which with the interim of 1.1603p already paid is the maximum permitted.

If the 1978 Finance Act confirms that the standard rate of tax is reduced to 33%, it is recommended that a supplementary final dividend of 0.0317p per share be made payable together with the interim dividend for 1978.

SALES

An analysis of the movement in world sales between 1976 and 1977 is as follows:—

1976 Sales	£615,019,000
Less decrease in volume	8,717,000
	606,302,000
Add price increases	105,216,000
	711,518,000
Less exchange difference	71,984,000
1977 Sales	£639,534,000

World volume decreased net by 1.4%, while selling prices increased by 17.1%. The downward movement of other currencies against Sterling reduced sales by 11.7%.

PROFITS

Trading profits rose by £7,935,000, or 10%, after being reduced by around £14,000,000 due to the weakening of overseas currencies by the end of 1977. Pre-tax profits increased by 9% to £83,233,000 after absorbing net increased interest charges of £2,103,000 and a reduction of £1,365,000 in profits of associated companies. Income from investments and sundry income increased by £2,323,000.

TAXATION

The reflected rate of tax was 41.9%. Deferred tax amounting to £6,963,000 was charged in respect of United Kingdom capital allowances and stock relief, and £5,169,000 in respect of overseas tax allowances. No provision is required for advance corporation tax not immediately recoverable.

EARNINGS FOR ORDINARY SHAREHOLDERS

Earnings for ordinary shareholders increased to £40,775,000 after charging £1,970,000 for extraordinary losses of which £1,733,000 was goodwill written off in a subsidiary company now liquidated.

J. & P. COATS, LIMITED DIVISION

The three main product groups of the Coats division are—home sewing products; embroidery, hand knittings and crafts; and industrial threads and fasteners. These groups accounted in 1977 for 86% of the division's turnover and 89% of its profit. Overseas markets accounted for 91% of the division's turnover and 92% of its profit. The division's sewing and handicraft thread sales were 5% down in volume compared with 1976. The diverse geographical and product spread of the division produces a balance of strength which in 1977 ensured that it recorded profits ahead of 1976 in total, in spite of difficult trading conditions and a temporary weakening of trading currency in terms of sterling towards the end of the year.

The managerial objectives of the division throughout 1977 were concentrated on maintaining margins and broadening the article ranges in each of the three main groups. Trading profit margins for the division as a whole increased slightly over 1976, a reduction on home sewing products being compensated by an improvement in margins in the industrial thread and fasteners group. Geographically a significant reduction in sales and margins in North America was offset by higher profits in Latin America. Margins in Europe and Australia improved slightly, but in Africa and Asia they were not quite as good.

The turnover of non-thread items continued to show a satisfactory increase. The division spent £14.6m on capital expenditure in 1977 and anticipates spending £21m in 1978. The 1977 figure is additional to the acquisition of the 24.9% interest in William Prym-Werke A.G. reported last year, and of the entire share capital of Rotax Razor Company Limited.

YARNS AND FABRICS DIVISION

1977 saw a further improvement in all sections although a sharp downturn in the last quarter has left the division with under-utilised capacity, mainly in the synthetic spinning mills.

GARMENTS DIVISION

Jaeger had another excellent year with turnover up by 25%. Strong demand for its products continued in the home market; the growth in export markets was also most encouraging, particularly in Japan, which looks like becoming a very important market. Laird-Portch took full advantage of the fashion swing to tartans and turnover rose by 40% with a corresponding improvement in trading profit. Country Casuals greatly strengthened its position in the market with an increase in turnover of over 50%, and shop-in-shops are now firmly established in many of the country's leading departmental stores.

Children's wear had a difficult year affected by the generally depressed economic conditions and the poor summer. Nevertheless, turnover of UK manufactured goods increased by 17% and trading profits, whilst still far from satisfactory, showed a substantial improvement on the previous year. Pasolds' subsidiary in Canada made a loss and this operation has now been closed.

In the Knitwear Group, turnover increased by 50%. Manufacturing capacity is being expanded.

Garment sales by Bond's Industries in Australia were marginally up in volume and profits continued to improve from the very depressed figures for 1974 and 1975.

HAND KNITTINGS DIVISION

The Hand Knittings division had a much better year, benefiting from considerable growth both in its UK and export hand knitting sales.

Against an overall volume increase of 25%, the division doubled its profits in 1977.

EXPORTS

The exports of the Group from the UK in 1977 amounted to £59,960,000 (1976 £51,591,000) of which sales to parties outside the Group amounted to £47,144,000 (1976 £38,826,000).

GROUP RESULTS FOR 1977 ... AND WHERE THE PROFIT CAME FROM

	1977 £'000	1976 £'000	1975 £'000
Turnover	639,534	615,019	487,096
Assets employed	390,079	363,104	307,683
Profit before tax and loan interest	87,758	80,188	41,305
Profit earned for Ordinary shareholders before extraordinary items	42,745	38,567	19,154
Earnings per share	15.4p	13.9p	6.9p
Ordinary dividends including income tax/tax credit	4.94p	4.49p	4.08p

Coats Patons are the world's biggest threadmakers and leading producers of synthetic and spun yarns, operating 163 manufacturing units in 30 countries and employing over 68,000 people.

In the U.K. alone we are behind such famous names as Jaeger, Country Casuals, Donbros, Byford, Driver, Dalkeith, Ladybird, Chilprufe and BabyChic. We are in general textiles with West Riding Worsted and Woollen Mills and John Heathcoat. Our other products include diecastings and mouldings.

Overseas boost gives Marley £7.5m. halfway

UK PRE-TAX profits of Marley fell from £5.22m to £.07m but overseas profits rose to £2.47m against £1.54m and lifted the total figure for the six months to April 30, 1978, from £6.76m to £7.54m. Profits for the whole of the 1976-77 year were down from a peak £17.61m to £15.36m.

Sales for the half year were ahead at £118.14m (£102.97m), and comprised UK £74.15m (£62.19m) and overseas £43.99m (£40.78m).

First-half earnings are ahead from 5.1p to 5.4p per 25p share and the interim dividend is unchanged at 1p net absorbing £995,000 (same)—last year's final payment was 1.49043p.

Marley is an international group of companies manufacturing and selling products for the building trade.

	Six months 1977-78 £000	1976-77 £000
Sales	118 138	102 971
UK	74.147	62.158
Overseas	43.992	40.753
Trading profit	9.161	8.213
Interest payable	1.626	1.457
Profit before tax	7.535	6.756
UK	5.068	5.221
Overseas	2.467	1.535
Taxation	1 962	1.754
UK	911	429
Overseas	1.051	954
Net profit	5.673	5.172
To minorities	267	254
Attributable	5.406	5.116

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Charterhouse Group, T. Cowie, Pleasurama, J. Smart (Contractors), Wolverhampton and Dudley Breweries.

Finals:—Alida Packaging, Berkeley Hambro Property, Brown Shipley, Capper-Neill, Chapman (Balham), Coalite and Chemical Products, Comben, Churchbury Estates, Doranakande Rubber Estates, Gough Bros., Mountview Estates, Normand Electrical, Sangers, Tanganyika Concessions, UBM, B. S and W. Whiteley, Young and Co.'s Brewery.

FUTURE DATES

Interims:—	
Flexello Castors and Wheels	June 14
Hanson Trust	June 7
Sterling Trust	June 7
United Spring and Steel	June 7
Finals:—	
Bankers' Investment Trust	June 8
British Tar Products	June 22
Evans of Leeds	June 20
Fortnum and Mason	June 8
Jermyn Investment	June 6
Leigh Interests	June 8
Locker (Thomas)	June 9
Trident Group Printers	June 14
UKO International	June 8
View Forth Investment Trust	June 5
Wedgwood	June 6

As reported on May 17, pre-tax profits for the year to February 28, 1978, rose from £513,588 to a record £947,076 and the dividend is lifted to 0.99p (0.7p) net per share. Net liquid funds as at the year-end decreased by £298,655 compared with a £243,790 increase.

Meeting, Abercorn Rooms, EC, June 22, at noon.

Kwit-fit chief sees further improvement

During March and April, sales at the tyre and exhaust fitting stations of Kwit-Fit (Tyres and Exhausts) Holdings showed an increase of some 50 per cent on last year, says Mr. Alec Stenson, the chairman, in his annual statement.

This trend is expected to continue, he adds, and he is confident that this division will show a further upsurge in profit. The group's Dutch subsidiary, Van Rooy Dorsman, distributor of garage and light industrial equipment, is maintaining turnover, and given improved conditions in Holland, the chairman feels that it should show further improvement during 1978-79.

Polly Peck recovers in second half

After dropping to a £25,000 loss in the first-half pre-tax profit of Polly Peck (Holdings) ended the March 19, 1978, year at £29,000 compared with £39,000 previously. Turnover dropped from £1.52m to £1.21m.

There was no tax charge (£13,000), and after writing back a £160,000 provision for losses on the property side profit came out at £190,000, reducing the loss brought forward to £168,000. Earnings per 10p share are shown at 0.52p (0.5p).

Again no dividends will be paid. The ladies' clothing, property development and investment group last paid a 0.175p interim in 1974/75.

Dubilier 25% rise midway

A 25 PER CENT increase in taxable profit from £387,000 to £485,000 is announced by Dubilier, a manufacturer of components for the electronics industry, for the half-year to March 26, 1978, on turnover ahead by 27 per cent to £4.88m.

All the main activities of the group have done well and with both domestic and export orders at record levels the directors anticipate a satisfactory outcome for the current year, with turnover expected to exceed £10m. and exports rising to £1.3m.

For all the previous year, pre-tax profit was a record £826,000, on sales of £8.64m.

After tax of £234,000 (£184,000) first-half net profit was up from £203,000 to £251,000. The net interim dividend is 0.5324p (0.484p) per 5p share—last year's final was 0.504p.

The directors consider the result to be particularly satisfying in view of the fact that during the period the group absorbed the start-up costs of several new ventures, which will contribute to profits in the longer term.

Provision has been made for full taxation, although the board considers the actual amount of tax to be paid will be substantially less than this.

They add that an important licensing agreement has recently been concluded with the UKAEA's Culham Laboratories, which gives the group sole world rights to manufacture and sell a unique, metal ion coating process. A new company, Dubilier Scientific, is being established to develop this invention commercially.

Lonrho 8% up so far

WITH TURNOVER 30.8 per cent ahead from £575.2m to £752.6m, pre-tax profit of Lonrho edged 8 per cent higher from £39m to £42.1m in the March 31, 1978, half-year.

Turnover includes associate contributions of £157.3m (£21.2m), and profit £11.3m (£1.4m) from this source. Associates include the Nigerian operation following the reduction in the holding in John Holt from 60 per cent to 40 per cent.

Directors point out that because of the continuing increase in the contribution from UK sources the £18.7m (£17.2m) tax charge can only be estimated. The UK share of profits was substantially ahead of last year, they say.

Results have been calculated in accordance with ED 19.

For all last year pre-tax profit was £16m lower at £76.8m, and dividends totalling 6.5512p net per 25p share were paid. The interim dividend is normally declared in August.

See Lex

Hanger Inv. off to good start

IN THE first four months of the current year profits from Hanger Investments were materially in excess of those achieved in same period last year, Mr. P. D. Adams, chairman, told the annual meeting.

He was confident that shareholders would be well pleased with the results for 1978.

The Board intended to recommend a substantial increase in dividend as soon as it was permitted to do so.

Record £10.4m at H. Samuel

AS FORECAST in January taxable profit of H. Samuel, multiple retail jeweller, advanced from £9.02m to a record £10.4m in the January 31, 1978 year.

Turnover, including VAT, was up from £51.23m to £59.42m. At half-time profit was ahead £1.66m to £2.04m.

The full year result is subject to tax of £3.18m (£3.72m). After extraordinary credits of £104,000 (£99,000) profit came out at £7.32m (£5.39m).

Earnings per 25p share are shown at 34.72p (25.4p) and a second interim of 8.5p lifts the total from 7.5p to 10p.

Directors say expansion continues both by additional branches and the extension of existing units. There has been an encouraging start to the current year.

A one-for-one scrip issue for "A" Ordinary shares is proposed. ED 19 has been applied to results. The company has close status.

Norwest Holst reaps the benefits of reorganisation

WITH greater efficiency enabling Norwest Holst, civil engineer and building contractor, to improve margins from 4.6 to 5.9 per cent, pre-tax profits for the year to March 31, 1978, were lifted 47 per cent from £3.52m to £5.17m on a 16 per cent increase in turnover.

Some £1.38m (including an exceptional item of £600,000) of the profit advance came in the second six months; the midterm increase being £282,000 to £1.84m.

During the year the company reorganised into divisions responsible for their own geographical areas and backed up by nationally organised specialist services. This contributed to the year's success by enabling the company to work on an equal footing with the largest construction groups, and as a result win larger contracts.

The activities of this "close" company are still concentrated very much in the UK but there is a growing involvement in overseas areas which the directors hope will eventually bring about a better geographical balance to the business. They have also taken action to improve this balance by expanding new areas of activity.

To support this expansion in the last two years more than £3.5m has been invested in new equipment for Keyplant, the group's plant hire company. Another major investment was £2.25m in new plant for the wholly owned earth moving subsidiary, John Jones (Excavation).

Basic earnings for the year are stated at 26.3p (17.9p) and fully diluted at 22.5p (14.7p) per 25p share. The final dividend is 4.673p gross for a 6.875p (6.25p) total.

	1977-78 £000	1976-77 £000
Turnover	88,230	75,682
Trading profit	4.575	[illegible]
Exceptional items	600	—
Profit before tax	5,174	3,515
Tax	2,763	1,348
Net profit	2,411	[illegible]
Minority profits	17	41
Extraordinary debits	623	849
Attributable	1,771	977
Ordinary divs	417	370
Leaving	1,354	607

● comment

Greater efficiency and improved pre-tax margins are the given reasons for Norwest's strong profits growth. But pinpointing where the greater efficiencies arose is difficult as the company regards that information as classified. It has a significant investment in Europe and overseas but the profit contribution from it is negligible. Thus the margin improvement must have come from the UK operations. During the year £1.1m in convertible loans were converted to equity. Some debentures were paid out and the gearing ratio was reduced to 0.86 to 1. The order book, at £80m, is 27 per cent up on the same period last year. On the capital expenditure side the company plans to buy more housing land, spend more money on plant and make an acquisition in the current financial year. At a closing price of 96p the fully diluted p/e is 4/1 and the yield is 7.5 per cent.

£0.6m jump at M & G Grp. so far

FROM TURNOVER £0.98m ahead at £2.15m taxable profit of M and G Group (Holdings), unit trust managers, jumped from £0.43m to £1.05m in the March 31, 1978, half year.

Directors say results take no account of the life assurance activities of the group, and that the profit reflects the heavy demand for units which became evident in the second half of last year, and which continues up to the present.

The result is subject to tax of £456,300 (£211,755) and earnings per 5p share are shown at 6.76p (2.51p). The net interim dividend is up from 1.375p to 1.512p. Last year, a 2.084p final was paid on taxable profits of £1.53m.

Sainsbury planning for more store openings

J. Sainsbury has a further 130,900 sq ft of sales area due to open in eight locations in the UK this year, compared with the 130,600 sq ft opened on seven sites last year.

Mr. John Sainsbury, the chairman, says in his annual statement that while the number of stores opened last year and due to open this year is lower than would be hoped owing to planning permission delays, the forward programme shows a greater number of store openings in 1979-80.

Contracted and authorised capital spending for the current year is shown at £33m against £31m last year.

Mr. Sainsbury says the group last year increased its market share for the second consecutive year, with an increase from 6.9 per cent to 7.8 per cent in two years.

With its SavaCentre hypermarket joint venture with British Home Stores, 78,600 sq ft was opened in one store last year and another will be opened in Kent this year with 65,700 sq ft of sales area. A further 153,300 sq ft on two sites is planned for 1980 and 1981.

A current cost statement with accounts shows the pre-tax profit of £27.58m (£26.18m) reduced to £22.34m (£20.97m) by additional depreciation of £5.51m (£5.27m) and a net cost of sales adjustment of £281,000 (£638,000), offset by a £0.55m (£0.71m.) gearing adjustment.

Following the tax changes in the Finance Bill directors plan paying an additional dividend of 0.0604p in January, 1979, along with the interim dividend for 1978-79.

Meeting, Connaught Rooms, WC, July 5 at noon.

Mallinson Denny well placed

Although an expansion in the total UK market may not have a dramatic effect on this year's results of Mallinson-Denny, the international timber group has demonstrated its ability to withstand downward economic trends and when real economic growth comes, it has a sound base from which to go forward, says Sir Frederick Catherwood, the chairman, in his annual statement.

Members are told that the market for private housing has been more encouraging, and there may be some expansion in the total UK market, yet conditions are still very competitive and are likely to remain so for some time.

As reported on May 10, taxable profit fell from £9.27m to £9.07m for 1977, on external sales of £190.06m (£166.14m). The dividend total is lifted to 2.7923p (2.5p) net.

On a CCA basis, pre-tax profit is reduced to £8.39m, after adjustments for depreciation of £0.73m, cost of sales of £0.69m, less gearing of £0.74m.

A geographical analysis of turnover (in per cent) and trading profit (in £000s) shows: UK 66.9 (69.1) and £8,986 (£8,816), other EEC countries 5.9 (6.2) and £420 (£173 loss), Australia 6.4 (6.3) and £321 (£527), Far East 18.1 (18) and £2,271 (£3,368), and U.S. 2.7 (0.2) and £285 (£14) respectively.

Meeting, 130 Hackney Road, E, June 22, at noon.

Slower trend for Bilton in second half

THE DIRECTORS of Percy Bilton, property investment and development, and civil engineering group, report taxable profits for 1977 up by £0.33m to £5.74m on turnover of £31.89m against £30.1m. At the interim stage profits were up from £2.68m to £3m.

Earnings per 25p share are 9.2p (8.3p) and the dividend is stepped up to 6.1765p (5.53p) net with a final payment of 3.849p. Net profit was £3.48m (£2.96m) after tax took £2.20m (£2.25m).

The group has incurred substantial losses on housing contracts, the directors add. Following the thorough reappraisal of these contracts, they say it is clear that most of these losses arose from building work done prior to December 31, 1976.

In these circumstances, an amount of £600,000 being the estimated losses attributable to prior proceeds, after deduction of the appropriate corporation tax relief has been charged against retained profits, since it is not practicable to allocate these losses over prior years.

● comment

Bilton warned at the half-year stage that it would have to make further loss provisions against housebuilding contracts dating back to 1976. In the event the group needed to write-off just £600,000 of the £1.25m it had forecast earlier. But the market was in no mood to applaud even sharply reduced provisions and the shares eased 3p to 180p. The year's results hold no other surprises, and the market will now be looking ahead to publication of the group's accounts when it has promised the results of its first portfolio revaluation since its Stock Market flotation in 1972. Outside estimates suggest that reported net assets of 77p a share could rise to around 200p, putting the shares on a 20 per cent discount to assets, in line with the rest of the sector.

Oliver Rix jumps midway to £155,005

PROFIT OF Oliver Rix for the half year to March 31, 1978, jumped from £18,348 to £155,005 on turnover of £12.52m against £13.58m and has been achieved in spite of the group's continued reorganisation and consolidation of its motors division. Profit for the full 1976-77 year recovered from two years' losses of £460,000 to £132,020.

Mr. A. K. L. Stephenson, the chairman, says he is reasonably confident that there will be a further improvement in the second half. Meanwhile, the group is actively evaluating opportunities for the expansion of all divisions as and when they occur.

Stated first half earnings per 5p share are 0.31p (0.04p) and 0.27p for the 1976-77 year. There was no tax charge for the period or the comparative first half and full figures for last year. There is no dividend, the last payment being a 0.0875p interim for 1973-74.

He says that the transport division has already embarked upon a policy of expansion by adding 50 per cent to its warehouse capacity with a new warehouse at Exeter and extended facilities at Heywood Industrial Estate, Lancashire, which gives Hadfields in excess of ½m sq ft.

A substantial part of this new facility is already committed to customers and further contracts are being actively sought.

M & G Second Dual Trust

Taxable revenue of M and G Second Dual Trust climbed from £667,830 to £765,672 in the May 31, 1978 year. Tax took £257,303 against £233,511 previously.

A final dividend of 2.31p net per 10p income share takes the total from 4.34p to 5.06p. Net asset value per 4p capital share is shown at 31.9p (35.5p).

First half progress at Carr's Milling

HIGHER PRE-TAX profit of £456,000 is reported by Carr's Milling Industries for the 26 weeks to March 4, 1978, compared with £376,000 for the corresponding 27 weeks of 1976-77. External sales advanced from £11.79m to £11.93m.

After tax of £237,000 (£195,000) net profit for the period was £219,000 (£181,000). The net interim dividend is raised from 0.88p to 0.96p per 25p share—last year's final was 1.75p.

The directors say that estimated tax is shown at 52 per cent of taxable profit for comparative reasons only, while it appears unlikely the rate of tax charge for the current year will differ significantly from that applicable to the 53 weeks ended September 3, 1977, when £50,000 was charged from £719,000 profit.

Profits at a satisfactory level were achieved by the company's subsidiaries engaged in flour milling and the manufacture of animal feeding stuffs but a loss was incurred by its frozen foods factory. This operation started a year ago and with rapidly increasing sales it is not unrealistic to expect a contribution from Society Fare in the next financial year, the directors add.

The major sectors of the group's business are continuing to trade well and although they say it is too soon to make a definite assessment it appears that the recent reduction of capacity in the bread industry will be beneficial to the group's bakery interests.

Alexander Stephen dividend

Surplus for the year to March 31, 1978, of Alexander Stephen and Sons came out at £62,272, compared with a loss last time of £448,736, but the directors point out that this was largely resultant from interest earned on the capital repayment monies invested while awaiting Court approval, on capital reduction scheme.

On March 31 Court sanction was received whereby issued capital was reduced by returning to holders of Ordinary capital 24p in respect of each 25p of Ordinary stock and such stock transferred in units of 1p. Also holders of Preference stock were returned the whole of the Preference capital, paid up together with payment of a proportional dividend from April 1, 1977.

The company is paying a 0.66p dividend, the first since 1965.

11% growth in Home Service Insurance

Premium income on all life business transacted by the Home Service Insurance companies rose by 11 per cent last year to a record total of £1.26bn according to figures published by the Industrial Life Offices Association. General insurance premiums increased by 10 per cent to £53[illegible]m.

Home service insurance is where the company's agent calls at the home of the policyholder to transact business and collect premiums—both life and general. These figures are based on returns from 18 companies, ranging from the Prudential and the Pearl to Tunstall and District Assurance Collecting Society, and accounts for over 99 per cent of all industrial life business transacted.

Premiums from industrial branch business rose by 11 per cent to £518m, the first time that premiums on this type of business has exceeded £500m. In the ordinary branch, premiums rose by a similar amount to £747m, of which regular premiums amounted to £621m, single premiums to £106m, and permanent health to £19.5m. Payments to policyholders increased by 8 per cent to £265m in the industrial branch—£1m each day—and in the ordinary branch payments were £414m last year against £464m in 1976.

Gross investment income from life funds rose substantially last year, that in the ordinary branch by 17.4 per cent to £407m and in the industrial branch by 14.2 per cent to £210m. Overall these companies contributed £786m to new investment last year.

Mr. R. E. Holland, chairman of the association, stated that it was upon the earnings from these investments, widely placed and unhampered by state interference, that the bonuses allocated to policyholders depended. Good bonuses were a vital element in attracting voluntary savings through life assurance.

TEBBITT RIGHTS

Tebbitt Group's rights issue of £240,000 of Convertible Unsecured Loan Stock 1985 has been taken up as to 15.2 per cent. The balance of £203,786 stock will be taken up by the underwriters.

Good order position at Wood & Sons

The overall order position at Wood and Sons (Holdings) was still good, and sufficient to enable full production to be maintained at least until the end of the year, Mr. Francis Wood, chairman, reported to the annual meeting.

The company had recently teamed up with Hardy Amies of London, which had designed a range of four new patterns which were very well received by a large number of buyers.

Edinburgh and General

After tax of £47,631 against £35,563, profits of Edinburgh and General Investments rose from £57,030 to £90,812 in 1977. Turnover for the period fell from £690,904 to £321,441.

Profit includes £71,954 from sale of a subsidiary, a £15,000 provision for loss in value of investments and a £15,000 transfer from reserves to cover such provision. The attributable balance is £90,888 (£51,492).

There is no dividend compared with 0.65p net last time.

BRAMALL HEADS FOR BUOYANT START

It became apparent last night that a considerable amount of interest was being focused in the market on the Bramall placing.

Bramall, a Ford main dealer, has come to the market with a placing of 1.33m shares at 75p each. The jobbers have evidently had a large number of inquiries after stock. It now appears that the shares are likely to develop a material premium when dealings start next Monday.

Coats Patons to spend more

THE J & P COATS division of Coats Patons expects capital spending to reach £21m this year compared with the £14.1m outlayed last year. This figure excluded the acquisition of 24.9 per cent of William Prym-Werke and the whole of Rotax Razor Company.

Rotax, which makes surgical scalpels, has already made a valuable contribution to expanding the base of Needle Industries' surgical division, directors say in their report with accounts.

Overall authorised and committed capital spending for 1978 is shown in the accounts at £24.1m (£13.7m).

As previously reported Mr. W. R. Henry, the chairman, says in his annual statement that 1978 profits could be significantly lower than the record £83.23m achieved last year.

First quarter trading conditions in Europe were not good, with no immediate prospect of improvement. North American sewing margins remain poor, while Latin America, Asia and Australia are more buoyant. South African conditions remain difficult.

In the UK, yarn and fabric bookings are down but some improvement may be seen in the second half. Garment sales, with the exception of children's year, are ahead of 1977.

Meeting, Glasgow, June 23 at noon.

● comment

Coats Patons repeats its warning of a significant drop in profits this year, with European operations in Italy and Spain apparently the worst hit so far. Meanwhile the accounts show that stocks rose somewhat last year in the face of a disappointingly low volume of offtake, but gearing remains very conservative, and steps have been taken to reduce excessive inventories. The geographical breakdown of profits shows that almost all of last year's overall gains were concentrated in the UK reflecting, particularly, a sizeable improvement in the garment division. Here, the Multi-Fibre Agreement is regarded by Coats as a matter for satisfaction but not for euphoria. At 74p the yield is 8.6 per cent, with cover around twice on a full current cost accounting basis.

New lump sum investment plan

Royal Insurance and Britannia Building Society have combined to develop a new lump sum investment plan, taking advantage of life assurance tax relief. Called the Double Investment Plan, it entails the investor making a lump sum deposit with Britannia which attracts interest at the ordinary share rate, at present 5.5 per cent net. The capital is withdrawn each month at the rate of £1 per £120 of the initial investment to pay monthly premiums under a 10-year with-profits endowment assurance with Royal. Thus at the end of the 10 years the whole of the original capital has been paid over to the endowment policy and the investment in the building society consists of the interest accumulated on the outstanding sum in the account.

At the end of 10 years, the investor would receive the interest in his building society account to which would be added a special bonus of £3 per £100 of the initial outlay, plus the maturity value of the endowment assurance contract. In addition, the investor can claim the usual tax relief on the life assurance premiums—after next April the tax credit will accrue to his building society account.

The minimum investment is £1,200 and the maximum £15,000 or £30,000 if investment is made in joint names. Age limits are between 20 and 55. As example of the returns available under this scheme, consider an investor aged 34 putting down £6,000. At the end of 10 years he could expect on current interest rates to have £2,397 in his building society account plus the £180 bonus. Assuming current bonus rates are maintained he would receive £8,379 from his endowment policy. On top of this his tax relief under the existing system would amount to almost £1,000.

Gateway brin[gs] out two new monthly bon[ds]

Gateway, the UK's [illegible] largest building society, [illegible] ing investors two new income bonds.

Interest on the bon[ds] can be taken out for either two or three [illegible] be paid monthly and [illegible] ment Gateway's existi[ng] income shares.

The bonds are aim[ed] at retired people and [illegible] have regular commit[ments] as electricity bills [illegible] Interest on the two-[illegible] a guaranteed ½ per ce[nt] society's current inv[estment] rate, which at pres[ent] [illegible] cent. Three-year bonds pay one per cent above investment share rate.

The minimum investment has been set at £1,000 though additional sums of £500 or more (in multiples of £100) may be invested at any time. Withdrawals within the two- and three-year periods are not allowed except on behalf of the deceased.

RESULTS AND ACCOUNTS IN BRIEF

F. MILLER (TEXTILES) [illegible] ... at noon.

HOUSE OF LEROSE (ladies' fashion [illegible])—Results for 1977 reported [illegible]. Group fixed assets [illegible] net current assets [illegible]. Pre-tax profit £1.01m. [illegible] to £0.75m after [illegible] and [illegible] net liquid funds [illegible]. Meeting, [illegible], June 22, noon.

SECURITIES TRUST OF SCOTLAND—Results for year to March 31, 1978, reported April [illegible]. Quoted UK investments [illegible] value £71.77m [illegible] abroad [illegible] unquoted [illegible] current assets [illegible] liabilities £0.92m [illegible] Board anticipate [illegible] decrease in revenue, [illegible] in current [illegible] Edinburgh, June 21, at [illegible].

BRIXTON ESTATES—Results for 1977, reported May 3. Investment properties [illegible] current assets £2.23m [illegible] current liabilities £4.50m [illegible] long-term borrowings £28.33m [illegible] medium, short-term £21.13m [illegible] Net liquid funds increased [illegible] (£792,000 decrease). Meeting: 22 [illegible], E.C., June 21, at 12.15 pm.

THE CITY OF OXFORD INVESTMENT TRUST—Results for year to March 31, 1978, reported May 18. Investments [illegible], current assets £394,574 [illegible], current liabilities £146,956 [illegible]. Liquidity increased by £108,274 [illegible]. Meeting, 41, Bishopsgate, EC, June 21, at 11.45 am.

SPHERE INVESTMENT TRUST—Results for year to March 31, 1978, already known. Quoted UK investments £22.54m [illegible]; abroad £15.3m (£15.81m); unquoted at directors' valuation, £1.29m [illegible] and agricultural property £0.[illegible]m [illegible]. Net current assets £1.16m [illegible]. Unrealised funds increased by [illegible]. Meeting, Winchester House, EC, June 22 at noon.

BOOTH (INTERNATIONAL HOLDINGS) (hide and skin merchants and tanners)—Results for 1977 reported May 10 in full preliminary statement. Group fixed assets £1.43m (£1.26m), net current assets £3.05m (£2.29m). Movement in net liquid funds £675,161 (£1.492,281). Meeting, Piccadilly Hotel, W., June 22, at noon.

MONEY MARKET

Full credit supply

Bank of England Minimum Lending Rate 9 per cent (since May 12, 1978)

The London money market was quiet, but remained rather nervous yesterday. Doubts about the likely level of the Treasury bill tender on Friday, and about the future structure of short-term interest rates were behind the uncertain conditions, even though the supply of day-to-day money was in surplus.

The authorities offered to absorb the surplus, and the terms were sufficiently attractive for the houses to buy Treasury bills on a very large scale.

Banks brought forward surplus balances, substantial Government disbursements exceeded revenue payments to the Exchequer, and the market was also helped by a slight fall in the note circulation.

Discount houses paid 7-8¼ per cent for secured call loans, with closing balances taken at around 8 per cent.

In the interbank market overnight loans opened at 8¼-8¾ per cent, and eased to 7¼-7½ on expectations of an abundant supply of day-to-day money, but rose to 10-12 per cent during the afternoon. Rates finished at about 8-8½ per cent.

Rates in the table below are nominal in some cases.

May 31 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	7¼-12	—	—	—	7¾-8¼	7-8¼	—	—	—
2 days notice	—	—	8⅜-8⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	8-8⅞	8½-8⅝	—	9	8⅝-8¾	7¼-8¾	—	—	—
One month	[illegible]	[illegible]	8¾-9	9⅜-8⅞	9¼-9⅜	9¼	8-8⅞	8¼-8⅜	8½	9
Two months	[illegible]	[illegible]	—	9⅜ 8⅝	9½-9⅝	—	8⅜	8½	8⅝-8[illegible]	9⅛
Three months	[illegible]	9⅜-9½	9⅛-9¼	9⅜ 8⅞	9¾	[illegible]-9¾	8½-8⅝	[illegible]	8[illegible]	9⅜ 9½
Six months	[illegible]	[illegible]-10[illegible]	9⅜ 9¾	9⅜ 9	10¼-10⅜	—	—	—	9[illegible]-9[illegible]	9⅞
Nine months	[illegible]	10-10¼	—	9⅞ 9½	10½	—	—	—	—	—
One year	[illegible]	10[illegible]-10½	10-10¼	9⅞-9½	10¾	—	—	—	—	—
Two years	—	—	10⅞-11	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 11½-11¾ per cent; four years 11¾-12¼ per cent; five years 12¼-12½ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9 3/16 per cent; four-month trade bills 9¾ per cent.

Approximate selling rates for one-month Treasury bills 8¼ per cent; two-month 8⅜-8½ per cent; and three-month 8 13/32-8 7/16 per cent. Approximate selling rate for one-month bank bills 8⅜-8½ per cent; and two-month 8⅝-8 11/16 per cent; and three-month 8 13/16-8⅞ per cent. One-month trade bills 9¼ per cent; two-month 9 per cent; and also three-month 9¼-9½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 9½ per cent from June 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6 per cent. Clearing Bank Base Rates for lending 9 per cent. Treasury Bills: Average tender rates of discount 8.4825 per cent.

MINING NEWS

Australian Parliament passes uranium Bills

BY PAUL CHEESERIGHT

THE legislative framework for the development of Australia's uranium deposits moved into place yesterday when the Federal Parliament passed a series of six Bills defining the conditions for mining.

The Bills require only the formal consent of the Governor-General to become law.

They cover the protection of the immediate environment of the deposits likely to be developed, land rights for Aboriginal owners and the provision of nuclear safeguards for mining and export.

Mr. George Meyer, the general manager for uranium at EZ Industries, one of the partners at the Ranger deposit in the Northern Territory, commented that the legislation provided the guidelines the companies needed to go ahead with their initial development plans.

As such, the passage of the Bills denotes the closing phases of sharp and bitter internal debate dating back to the days of the Whitlam Government. Uranium mining has been the subject of lengthy official inquiry and intense opposition from parts of the Australian trades union movement.

Since a Commission headed by Mr. Justice Fox endorsed, in October 1976, a policy of the gradual development of Northern Territory uranium deposits subject to stringent conditions, the Australian Government has moved warily to achieve this object.

The passage of the bills, after six weeks of exchanges between the House of Representatives and the Senate, means that the light for uranium mining has changed from red to orange.

The fact that it has not changed immediately to green kept the immediate reaction on the markets at a low key. Pancontinental, which holds the biggest of the Northern Territory deposits at Jabiluka, saw its shares gain 25p to £13¼. EZ Industries were unchanged at 205p, and so were Peko-Wallsend, EZ's partner at Ranger, at 510p.

What is still required is legislation establishing a uranium marketing authority which will supervise export sales on the lines of the Canadian Atomic Energy Board and the completion of negotiations with Aboriginal landowners on royalty payments.

A further round of talks with the Northern Land Council, representing the Aboriginals, will start on June 12. The Council, in what is widely regarded as a negotiating ploy, has proposed a royalty of 38 per cent on gross profits. This has been bitterly opposed by the companies and does not appear to meet Government policy.

Australian reports have suggested that Mr. Doug Anthony, the Deputy Prime Minister, wants the Aboriginals to receive a royalty from Ranger set at 1.75 per cent over and above the 2.5 per cent to which they are entitled under Northern Land rights legislation.

The companies are anxious that the royalties issue should be resolved quickly so that construction on the mine sites may start during the current dry season, thus enhancing the chances of bringing Australian uranium to the international markets by the early 1980s.

FIRST INTERIM AT PENGKALEN

Pengkalen, the London-based tin company with Malaysian mining interests, is maintaining its first interim dividend for 1977-1978 at 1p. Its total payments for 1976-77 were 6.5p.

The directors stated yesterday that the rate of the first interim dividend carries no implication for the level of dividends later in the financial year.

With the output of tin concentrates down to 52.25 tonnes in the six months to March compared with 94.25 tonnes in the same period of the previous financial year, pre-tax profits for the half-year have been reduced to £56,000 from £138,000. The shares were unchanged yesterday at 62p.

Indonesia seeks investment

INDONESIA, ANXIOUS to encourage a recovery of mineral exploration activity, is considering a revision of the third generation mining contracts, writes **David Housego from Jakarta.**

In an interview here, Mr. Subroto, the newly appointed Minister for Energy and Mines in President Suharto's reshuffled Cabinet, said that the Government was studying how to improve the third generation contracts to make them more attractive to foreign investors.

Since the new regulations on mining came into force under a presidential decree in August, 1976, Rio Tinto-Zinc is the only company to have signed a third generation contract. This was for the base metals exploration in North Sulawesi.

At the time the Government intended the agreement to serve as a model for future mining contracts. Before signing RTZ was able to secure a substantial modification on a key clause under which foreign exchange had to be retained by the Bank of Indonesia, the central bank, and contractors had to apply for permission to use it.

Mr. Subroto declined to say what further revisions he had in mind, but said that he had a team within his department studying the question. He added that he was open to suggestions.

The main new feature on the third generation contract were: A 10 per cent export tax on unprocessed minerals; a windfall or excess profits tax of 60 per cent when profits exceeded 15 per cent of investment over a three-year period, and foreign companies must offer 51 per cent of their equity to Indonesians within 10 years.

Large bauxite project for Guinea

ALUSUISSE, the Swiss aluminium group, is studying the possibility Guinea, involving a bauxite mine of a $1.3bn (£714.8m) project in based on the proven existence of 150m tonnes of reserves, an alumina plant and an aluminium reduction plant.

Mr. Paul Muller, the Alusuisse president, said in Montreux yesterday that the group had been commissioned to draw up plans by seven countries: Guinea itself and Egypt, Iraq, Kuwait, Libya, Saudi Arabia and the United Arab Emirates.

The first stage would involve the construction of the alumina plant and would cost $600m. Production would be 1m tonnes a year.

Mr. Muller predicted a sizeable gap between the supply and demand of aluminium by 1985 and said the gap would widen if some smelters were phased out for ecological or energy reasons.

Meanwhile, Swiss Aluminium Australia, an Alusuisse subsidiary, is taking a 40 per cent share in Nabalco Aluminium, which will study the possibility of establishing an aluminium smelter in Australia, the country's fourth. The remaining 60 per cent is held by Gove Alumina.

BIDS AND DEALS

Tilling woos Fluidrive with £5m share offer

Thomas Tilling is showing no sign of turning off the acquisition trail. Yesterday it announced its third significant UK bid for the past 12 months—a £5m surprise offer for Fluidrive, the Middlesex hydraulic coupling group.

Earlier this year Tilling successfully bid for William Lawrence, the furniture group, and Liner Concrete. At the same time it has been concentrating its acquisition policy in the U.S. where it has made four major acquisitions in the same period, the largest being the £25m purchase of the Yale locks and security side of the Eaton Corporation, a deal which is still in the process of completion.

Yesterday Tilling explained that Fluidrive would complement the group's existing interests in hydraulic couplings which centre on the Antwerp-based subsidiary, Hansen Transmissions. Hansen makes fixed speed products whereas Fluidrive specialises in variable speed machinery.

Terms of the offer are five shares of Tilling for every eight Fluidrive. On the basis of yesterday's closing price of 117p for Tilling this values each Fluidrive share at 73p and represents an exit p/e of just under 7.

The board of Fluidrive said that it had only received the offer on Tuesday evening and was still considering it. Shareholders were advised to take no action until the board publishes its reaction.

The key to a successful take-over of Fluidrive must lie with the institutional shareholders. Some 27 per cent of the equity alone is held by five funds.

In the past full year Fluidrive's turnover was £8.26m and pre-tax profit amounted to £920,000. Interim figures to March reveal turnover of £4.6m and pre-tax profits slightly down on the comparable period to £379,000.

Consolidation of these figures within the Hansen group would provide a significant expansion of Tilling's hydraulic interests. Hansen made profits of £1.51m on turnover of £15.64m for 1977.

The total Gramos Group sales are expected to be in excess of £5m following the acquisition.

BOUSTEAD

Boustead has sent shareholders details of its proposed sale of **Windsor (FMS) Rubber Estate** which was first announced on May 18. The borrowings of Boustead are shown as £3.1m on April 26.

GRAMOS CHEMICALS

Gramos Chemicals, of Portsmouth, has purchased Tak Chemicals.

The chemicals division of the Gramos Group with the addition of Tak brings together products marketed in similar fields, largely parallel laboratory and production techniques, with the addition of textile products for which Tak has long been well known.

Mitchell Cotts Transport valued at 84p

Mitchell Cotts Group, the trading, engineering and transport concern, has now reached agreement on an offer to buy out the 22.09 per cent. minority shareholding which it does not already own in its subsidiary, **Mitchell Cotts Transport.** The terms put a worth of some £1.3m on the remaining shares which are the subject of the bid.

The offer, following an announcement earlier this month that such a move was being discussed, values the Transport shares at 84p, compared with 60p on May 3, the last business day before the talks were revealed. Mitchell Cotts Group is bidding two of its own shares, 1p down at 42p last night, for each share in Transport, whose price was 1p up yesterday at 83p. It is proposed that the acquisition should be carried out through a scheme of arrangement under Section 206 of the Companies Act 1948.

The bid values the Transport shares at just above the 82p at which a 25 per cent holding in that company was sold off, through a rights issue to Mitchell Cotts Group shareholders, in connection with the launching of Transport on the stock market in May 1972.

But Transport has not developed as an independent entity in quite the way envisaged when its shares went public in the boom days six years ago. The great bulk of the Transport shares are believed still to be owned by investors who are also shareholders in Mitchell Cotts Group, and around two-thirds of the 2,000 or so shareholders in Transport hold fewer than 100 shares each. The parent group thus sees the present bid as in the nature of a tidying up operation.

The Transport directors, who have been advised by J. Henry Schroder Wagg, consider the bid terms fair and reasonable and recommend them. The directors are backing the take-over scheme in respect of their own holdings, totalling 6,500 shares (0.1 per cent). Mr. P. P. Dunkley, Mr. J. R. Storar and Mr. J. R. C. Wren, who are directors of the Mitchell Cotts Group and of Transport, have not taken part in the discussions leading to the bid. Hill Samuel, advisers to the group, will despatch the bid as soon as possible.

IPC GROUP

IPC BUSINESS PRESS is to purchase Gershire, publisher of the monthly journal Systems International, for £400,000, plus a sum equal to the net asset value of the company as at the date of completion, which is expected to be in the order of £50,000.

Peter Yapp, managing director of IPC Electrical-Electronic Press, said: Systems International strengthens our already established position in this particular publishing market fitting in very well alongside journals such as Computer Weekly, Computer Products International, Electronics Weekly, Electron, and Data Processing.

BRITISH STEEL CONSTRUCTIONS

At the annual meeting of **British Steel Constructions (Birmingham)** the chairman, Mr. R. W. Aitken, advised shareholders that the closing date for offers for **Qualter Hall and Co.** is June 1 and the sale should be completed within six weeks.

The dispute relating to the ownership of the company cannot be heard in the Courts before July, 1979, and therefore he hoped that the dispute could be setled without resorting to litigation.

ASSOCIATES DEALS

On May 26, Seligmann, Rayner bought 19,000 ord **W. Henshall and Sons (Addlestone)** shares on behalf of Petford, and on May 30 purchased 10,000 at 23p.

On May 30 S. G. Warburg sold on behalf of an associate 10,000 **Albright and Wilson** at 163p.

Hill Samuel sold for discretionary investment clients 20,000 **Albright and Wilson** at 163p and 6,000 at 162p.

SHARE STAKES

Willis Faber—Mr. H. E. Gumbel sold on May 25 28,000 Ordinary shares at 262p and a further 22,000 Ordinary shares at 257p.

Lambert Howarth Group—Throgmorton Street Nominees (registered owner) on behalf of the Throgmorton Trust (beneficial owner), has acquired 10,000 shares making their total holding 155,000 (5.2 per cent).

Fairview Estates (Enfield) — Goddard Nominees (Jersey) has reduced its holding to below 5 per cent.

BHRA Fluid Engineering has been awarded a contract worth £78,000 by the Chemicals and Minerals Requirements Board of the Department of Industry. The funds, which will be spread over two years, will finance a programme aimed at developing scaling laws for the time-averaged and fluctuating stresses to which mechanical agitators and ancillary equipment are subjected.

Kellock moves for full quote

Within two years **Kellock Holdings** expects to regain a full quote for its shares, if its plans to take over **Belgrave Assets** are successful.

Kellock, which is bidding for the other 50 per cent of Belgrave that it does not already own has sent out its offer document to shareholders. It says that the rather complex bid terms have the support of merchant bankers **Brown Shipley**—called in to provide independent financial advice for Belgrave ordinary and loan stock holders.

The basic offer is 36 Kellock ordinary shares plus 44 convertible irredeemable subordinated variable rate unsecured loan stock plus £1.58 cash for every 200 Belgrave ordinary shares.

There is an alternative offer which includes the issue of redeemable cumulative preference shares and no cash element.

The shares of Kellock, Belgrave and another subsidiary Lothian Investment were suspended at the beginning of this year after the status of the companies altered with the launch of Kellock Factors, in which all three companies had a stake.

Since then the companies have been tidying up their relationship and Lothian was acquired by Belgrave last year. This latest step will enable the enlarged group to be quoted on the Stock Exchange unlisted securities market under rule 163 (2). This should take place on July 31.

Terms of the merger have been based upon the net asset values of Belgrave and Kellock. The cash element is being offered to compensate Belgrave holders, who accept the equity offer, for the reduction in income they are likely to suffer until Kellock is in a position to increase its dividends.

The directors anticipate that further benefits will come from the recent systems review at Morris — Kellock's subsidiary which distributes pet-food and horticultural products.

Factors is also expected to continue growing. The directors are exploring the possibilities of sales or sales and lease-backs of Morris' freehold and leasehold properties.

In the first four months of this year Factors has continued to increase its turnover which is substantially up on last year.

The abnormal winter adversely affected Morris' business but the directors expect that the outcome for the year will be satisfactory.

Shareholders' meetings are called for July 3.

ICFC BACKING FOR TOWER GROUP

Industrial and Commercial Finance Corporation has provided £400,00 to finance expansion within the Tower Group to meet demand for forklift components and mining equipment. The ICFC 12-year term loan will be utilised to acquire £250,000 plant and machinery and to provide working capital resources of £150,000.

The Tower Group, based in Bristol, has interests in the manufacture, sale and hire of scaffolding both in the UK and the Middle East, where it is in partnership with two major local construction and trading companies—Al Futtaim in Dubai and Bin Laden in Saudi Arabia.

NEB now has 18.5% of BBK

The National Enterprise Board has now raised its holding in **Brown Boveri Kent**, the Swiss-controlled process equipment and instrument maker, from 17.6 per cent to 18.53 per cent. It was recently made known that the State owned NEB wanted to lift its stake in the company to 20 per cent, the level which would allow it to bring an appropriate proportion of BBK's profits into its own accounts.

The NEB is also, as already foreshadowed, taking up its allotment of the rights issue of new shares at present being made by BBK. As a result of this, and of the recent purchase of 485,000 additional shares at an average price of 53.3p, the NEB has raised its holding of BBK shares by 2,284,734 to 10,058,672 (18.53 per cent). An NEB spokesman said last night: "We still want to raise our stake to 20 per cent but not beyond it."

The shares of BBK, 54¼ per cent of which are owned by Brown Boveri, of Switzerland, last night closed unchanged at 59p.

MOVE TO BUY OUT EDWORKS MINORITY

The minority shareholders of Edworks, the South African footwear group quoted in London, are to be offered 145 cents per share by the controlling Dodo family. The bid was foreshadowed two and a half weeks ago when the shares were suspended at 85 cents per share.

The Edworks Board forecasts earnings for the year ending in June of not more than 23 cents per share (19 cents per share). Existing shareholders will receive a 4 cents final dividend per share making a total for the year of 6 cents (4 cents).

Holders of R2 preference shares are being offered 132 cents for each 6 per cent preference share and 134 cents for each 7 per cent preference share.

Hill Samuel has been retained to act for outside shareholders.

HILTONS FOOTWEAR

Hiltons Footwear has sold the freehold property at 93/95, High Street, Guildford, for £1,243,000. An extraordinary profit of approximately £950,000 before tax will arise from this transaction.

Proceeds will be used to develop the company's business.

An EEC test case for the Bank and the City's money brokers

BY JAMES BARTHOLOMEW

COMPLAINTS to the European Commission last August that the British money broking system is a "closed shop" have led to a test case of whether the City's idiosyncratic methods will be allowed to continue in the EEC.

For the first time, the Bank of England has been called upon to defend its informal regulatory system. Sir Harold Wilson, chairman of the "Committee to Review the Functioning of the Financial Institutions," has defended it, and other European central banks are rumoured to have exerted their influence in support of its independence.

Complaints

The original complaints to the EEC were made by Sarabex, a Middle East money broker with an office in London. They were that entry to London's Foreign Exchange and Currency Deposit Brokers' Association (FECDBA) is effectively denied to new companies and that commission rates are considerably higher in London than in other EEC countries.

The FECDBA countered that eight new brokers have been admitted in the past eight years and none has ever been refused. The commission rates vary from one currency to another but, said the FECDBA, in the main trade in London — that between sterling and U.S. dollars—the spot rate is very low at 30p per $100,000.

The FECDBA requires that five London banks should sponsor any applicant, but Sarabex remonstrated that this was a "Catch 22". A broker had to be a member of the association in the first place before the banks could gain enough experience of him on which to base sponsorship, it said. The FECDBA replied that sponsorship depended primarily on whether the broker had sufficient qualified staff and adequate systems to offer a satisfactory service. The "Catch 22" did not exist, it claimed.

Members of the FECDBA deny that it is a "closed shop." New members can easily join, so they say, as long as they are sponsored and vetted, to ensure that they have capable staff and systems. One condition is that members must not be owned by banks because a broker might give the banks privileged access to attractive deals or information about their rivals.

It is true that the FECDBA commission rates are generally higher than on the Continent, though by no means in all cases. Members claim this is so because they offer broking services in minor currencies which are not profitable and to small banks which do very little business. Moreover London brokers are not allowed to deal for their own account and make extra profits that way.

The British style of control differs from the continental in depending on consent and self-regulation through associations rather than law. This has left the FECDBA open to the accusation that it is an association in restriction of competition which is prohibited under Article 85 of the Treaty of Rome.

The Bank of England, the FECDBA and the British Bankers Association agreed last year that their defence on this front should be based on the Bank taking more overt responsibility for the FECDBA. They could then claim the protection of Article 90 of the Treaty which blunts some of the teeth of the regulations when an association or monopoly is granted by the State and where application of the competition rules would obstruct performance of its "particular tasks."

Subsequently, members of the FECDBA have detected a keener than usual interest by the Bank in its quinquennial negotiations with the banks over commission rates. On the other hand, the new Sterling Brokers Association, which is likely to be officially started this summer, is set to be run very much on the same self-regulating lines as the FECDBA. The Bank is likely to keep a more careful watch since the Sarabex case but it does not want to give up the traditional element of regulation by consent.

The Bank believes that this system has proved successful and that far fewer instances of corruption among brokers have taken place in this country than elsewhere. There have been no major broking scandals such as the collusion which was part and parcel of the fraud at the Lugano branch of Lloyds Bank.

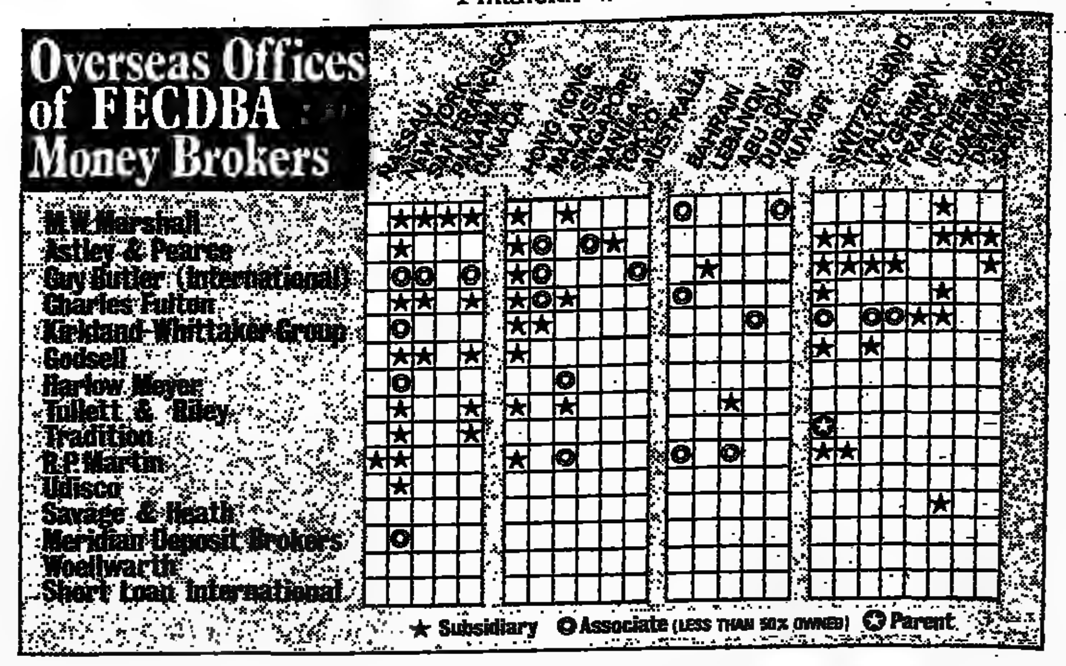
Challenge

But the Bank of England's view has been challenged by the International Currency Review which asserted last year: "It would be stretching things too far to suggest that London brokers have established a higher ethical standard than their foreign counterparts; for the reverse is, in fact, the case." Not for the first time, the ICR alleged that British brokers are among the most eager to offer kickbacks to banks in return for business.

Establishing the truth is impossible for an outsider because corruption is by nature covert. But, all the public evidence suggests that London is among the most ethical of broking markets.

The most convincing argument is that corruption is simply not worthwhile for British brokers. They have international reputations to maintain and the extra profit they could make by, say, freely offering gifts as some Continental brokers are alleged to do, would not be worth the danger to the rest of their business.

Moreover, the rules under which the brokers operate make corruption difficult, in fact much more difficult than for stock brokers. Money brokers are not allowed to deal for their own account and the only gift or entertainment they may freely offer is lunch.



The 15 members of the Foreign Exchange and Currency Deposit Brokers' Association are nearly all private companies. Their most important expansion has been in the last decade. The owners are varied but discount houses predominate. R. P. Martin is the only one publicly quoted so far but others are expected to follow suit.

The high reputation of the London market is such that when Bahrain and Singapore wanted to set up their own markets they chose the London market as their model. The more ethical standards of British brokers have probably been one of the reasons for their international success, especially now that the world has become so conscious of bribery and corruption after the Lockheed and other scandals.

Few people outside the City know what money brokers do or recognise the success that British brokers have had over the past 10 years.

In dealing rooms resembling space mission controls, computerised consoles keep them in direct touch with hundreds of banks. The brokers—who hold no money themselves — bring together buyers and sellers of foreign currencies and borrowers and depositors of foreign currencies and sterling. They also service the secondary market in some paper instruments, such as certificates of deposit and act as intermediaries for local authorities and large companies wanting to lend or deposit money.

The 15 London brokers comprising the FECDBA have limited monopolies on the foreign exchange and currency deposit markets. For example, any of the 300 plus London banks wanting to deal in foreign exchange in London must go through a FECDBA member.

In return the brokers guarantee not to poach the banks' commercial and industrial customers. They also agree to service the various poorly traded and unprofitable markets such as Finnish marks.

Over the past 10 years, the business of British money brokers has mushroomed both at home and overseas. It is one of the City of London's unsung success stories and a source of invisible earnings which, although still small, is likely to grow more significant.

The primary reason for the success has been the presence in London of all the world's major commercial banks.

British brokers therefore had a tremendous advantage in the late sixties and early seventies when the markets in foreign exchange and Eurodollars expanded dramatically.

Meanwhile the domestic sterling markets were stimulated by the growing debt of local authorities and the volatility and distortions in interest rates. Local authorities obtain a high proportion of their short and medium term funds via money brokers, and treasurers of large companies and multinationals woke up to the fact that the best rates were not exclusively available from clearing banks.

British money brokers have capitalised on their initial advantages and in expanding overseas they have put the stamp of London broking methods on several new international financial centres and caused many older ones to move towards London's methods.

Most of the overseas expansion has taken place quite recently. M. W. Marshall opened in Singapore in 1972 (the first British broker there), Hong Kong a year later, then Panama in 1975, Bahrain 1976 and Kuwait and Luxembourg last year.

The new offices are, in one sense, a defensive move to protect the British share of total world business. London is inevitably losing some of its pre-eminence as other financial centres begin developing their own markets. But the worldwide industry is still growing and British brokers now have a lead internationally that will be difficult to overtake. If they keep anything like their current share then their operations in ten years' time will be even more substantial.

Three British brokers, Marshall, Charles Fulton and Guy Butler International, can truly claim, "We never close." When their London offices are shutting, those in New York are in full swing, then the business moves on to the West Coast of the U.S., the Far East—Hong Kong and Singapore—the Middle East and then back to Europe.

Expansion

This international ring of offices improves the services brokers can offer. They can tell clients in Singapore how the markets have been behaving in the other financial centres overnight. And the sun need never set on a customer's order. A Bahrain bank can, for example, give instructions to "try to get X per cent. on $10m. for three months before morning" and that order can be transferred from office to office until being satisfied by a bank in, say, San Francisco while the Bahrain banker is still asleep.

The greatest successes so far have been in new centres such as Singapore and Hong Kong which have been growing fast. The going has been tougher on the Continent where the British have found it difficult to break into the existing establishment.

Expanding overseas can be a risky game. The ideal is to open up in a growing financial centre, partnered by respectable and influential local interests, becoming well entrenched before the rest of the international brokers come trooping in.

But if it goes wrong, the broker suffers financial losses—which will probably not qualify for U.K. tax relief — and the indignity of pulling out again. The casualty list is long: Astley and Pearce pulled out of Dusseldorf because it could not break into the market; R. P. Martin, the only broker so far to go public, threw in its Parisian venture because it could not compete against those local brokers who, it alleged, used substantial "kick-backs" to get business.

New York is the second biggest market after London but even there the business is led by British brokers. M. W. Marshall has merged with one local company, Lasser Brothers, to make the largest money broking company in North America and most British brokers are represented there.

Tokyo is being closely watched at the moment; it is the only really major financial centre which has not developed an international money broking market. Astley and Pearce announced last month that it would be the first overseas broker ever allowed to open there. But subsequently it has run into difficulties. To begin with at least it will be allowed to deal only in the domestic currency but in due course it hopes to be permitted to offer a wider service in foreign currencies.

Chauvinism

The authorities in Japan have made it difficult for foreign brokers to set up shop. And even the European banks with offices in Japan have complained of the conditions. Mr. Christopher Tugendhat, a member of the European Commission, has been to Japan to investigate alleged discriminatory treatment.

Chauvinism is one of the biggest problems which brokers face. Whereas they used to insist on owning 100 per cent. of any overseas office, they now recognise that it is safer in the long run to have a local partner.

The lead of the British brokers internationally looks unassailable but their original base in London is more vulnerable because other financial centres are growing.

Most brokers think London will keep ahead of the field because the foreign banks are already here, the Bank of England supports the market flexibly and sensitively and London is located in a good time zone. Being between America and the Continent, the City can service both major markets in normal business hours, whereas New York and the Far East are at the edges of the money broking day.

The EEC Competition Department is expected to rule on the Sarabex case in the next few months. It currently looks as though the Department's initial sympathy with Sarabex's complaint has dwindled. It was forced to recognise what a political hot potato it was handling—coming up against the Bank of England with the Government behind it and the other central banks of Europe, which are by no means keen on the Commission starting to tell them how to regulate their markets.

The gist of the likely compromise is that applicants to join the FECDBA will have to be admitted if they can meet stated and objective criteria.

Most of these criteria, concerning numbers of staff, their experience and standing, and the capital structure of the company, are already applied by the FECDBA. The difference will be that the criteria will be formally stated. Any new applicant will know where it stands.

The new rules are also likely to give an applicant, who feels wrongly rejected by the FECDBA, the right to appeal to the Bank of England.

The Sarabex case has done no real harm to British money brokers. Its greater significance is that the Bank of England has met the Competition Department on its own ground, the Treaty of Rome, and will probably come away with the right to continue its regulation by consent rather than law.

Reed dividend cut to 8p: £41.5m write-offs

FINAL QUARTER results of Reed International increased £2.4m to £22.7m leaving the pre-tax profit of the group up from £74.6m to £81m in the March 31, 1978, year.

But after extraordinary losses of £41.5m (£7.2m), tax of £48.5m (£40.4m), minority interests of £7.8m (£7m) and a much reduced dividend payout of £8.9m against £14.5m, the end result was a £25.9m retained loss (£5.2m profit).

The extraordinary losses comprise £23m from the Canadian rationalisation, £16m from MEPC shares and loan stock and MEPC-Reed properties, and £3m from other sources. Directors point out that when the MEPC interests were acquired in 1972-73 a revaluation surplus of £26m was transferred to reserves.

Following the warning of a review of dividend policy and the final dividend, the payment has been cut from 7.0445p net per £1 share to 2.0445p, for a total of 8p against 13p. Directors say this reflects the need to reinvest in the successful businesses, the objective of reducing gearing and the objective of paying a dividend which can be maintained in a period of economic uncertainty.

Directors say that a year ago it was made clear that a rationalisation and retrenchment period was needed. Efforts so far have produced a record UK trading profit of £75m (£58m), a number of disposals realising some £40m and a major rationalisation of the Canadian business.

These actions combined with exchange movements have reduced net borrowings by £50m, but after the retained loss stemming from the extraordinary write-offs added to exchange losses of £30m, shareholders' funds have fallen by £56m to £358m.

Despite gearing therefore being unimproved, they believe the balance sheet is now stronger than a year ago.

They say the primary objective is still to reduce gearing. The strength of the UK business, a strong UK cash position and the long-term nature of much of the £384m of debt continue to provide a firm base from which to tackle the group's problems, and to ensure that any further disposals are made at the most propitious time.

Sales for the year were £1.62bn (£1.49bn) with the overseas operations contributing £736.2m (£690.6m). Overseas results are for the December 31, 1977 year.

Of the £107m (£96m) trading profit the North American side contributed a £3m loss against a £8m profit. Of this, pulp, paper and packaging produced a break even (£11m profit), the decorative products side a £7m loss (same) and publishing a £4 profit.

Directors point out that the Canadian losses in the December, 1977, quarter were halved in the March period and should be further reduced in the June quarter. These losses were expected to be no less than £11m for the year.

On trading results, much of the UK increase came from a 33 per cent rise to £65m by the paper and packaging and publishing and newspaper operations.

The decorative products area remains difficult, directors say, with improvements in the UK and Europe offset by reductions elsewhere.

Building products profits improved against a background of severe competition and the costs of the opening of a £5m expansion at Twyfords.

African and Australian operations did well in difficult conditions.

The tax charge for the year is exceptionally high because Canadian losses cannot be offset against profits from elsewhere, directors say. If ED 19 had been applied the charge would have been some £5m lower.

At year end loan capital was down £22m to £377m and short-term borrowings from £35m to £7m. Directors say the group had cash and unused short-term facilities in excess of £170m at year end, with more than £100m in the UK.

	1977-78 £m	1976-77 £m
Sales	1,622.2	1,490.4
UK and exports	854.0	797.8
Overseas	736.2	690.6
Trading profit	106.6	95.6
Associate profits	8.8	14.4
Operating profit	110.4	110.0
UK	60.1	62.1
Overseas	50.3	47.9
Interest	33.4	35.4
Profit before tax	81.0	74.6
Tax	48.5	40.4
UK	31.4	20.8
Overseas	17.1	19.6
Net profit	32.5	34.2
To minorities	7.8	7.0
Extraord. debits	41.5	7.2
Preference dividends	0.2	0.2
Ordinary	8.9	14.5
Retained loss	25.9	†5.2

† Profit.

See Lex

Production cutback costs hit John Crowther

HIT BY write-offs and redundancies of £210,000, the pre-tax loss of John Crowther Group increased from £125,716 to £257,678 in 1977.

Turnover for the period advanced from £4.88m to £6.31m and the loss was struck after depreciation of £129,442 (£114,097) and interest of £217,514 (£165,496).

At midway a turnround from a loss of £64,038 to a profit of £24,323 was reported.

Tax relief amounted to £70,517 (£90,000) for the year. The dividend payment per 25p share is raised from 0.59p to 0.65p net.

In addition to the specific items of write-offs and redundancies there were further heavy losses incurred due to under-recovery and other inter-related factors considerably in excess of that amount through the necessary severe production cut back.

The expansion which was taking place prior to the sterling increase of 1977 would have resulted in the growth of profits developing in the first-half figures.

The result of the percentage change of more than 15 per cent in the value of sterling in the company's principal selling period seriously affected 35 to 40 per cent of the total volume of the company's business which was then especially competitive with imported fabrics.

This, together with the uncertainty created at a time when the company's shipments and new orders were normally at their peak could not have been anticipated, say the directors.

During the equivalent period in the previous year the pound fell to a low of $1.56 and in 1977 it reached a hig of $1.92, a rise of 23 per cent. Imports, therefore were becoming increasingly cheaper and the company's ability to trade and compete both in home and export markets was undermined accordingly.

From the last quarter of 1977 onwards the company has been substantially reducing dependence on the type of trade affected by the sterling rate by developing different products and is operating at a relatively high level of activity in most areas of the group, the directors state.

● comment

Special write-offs, a jump in interest charges and a strengthening pound put paid to John Crowther's attempt to return to the black last year. At the halfway mark it posted a £24,323 taxable profit after recording losses totalling £474,168 in the previous two years. Since the trouble in the second half the company has been progressively reducing dependence on trade that is affected by changes in the value of the pound. This essentially involves development of different products. The share price was unchanged at 32p giving a yield of 4.9 per cent.

CARR'S MILLING INDUSTRIES LTD

Interim Statement

	26 weeks to 4th March, 1978 £	27 weeks to 5th March, 1977 £	53 weeks to 3rd Sept., 1977 £
Sales	13,137,000	13,031,000	24,556,000
Less inter company sales of products for re-processing	1,214,000	1,244,000	2,451,000
Sales to External Customers	11,923,000	11,787,000	22,105,000
Profit before Taxation	456,000	376,000	719,000
Estimated Taxation	237,000	195,000	50,000
Profit after Taxation	219,000	181,000	669,000
Net Profit Attributable to the Group	219,000	181,000	669,000

The figures for the 26 weeks to the 4th March, 1978 (and for the comparable period of the previous year) are unaudited and show estimated taxation at 52% of the profit for comparative purposes only. In my view it would be misleading to estimate the tax charge on the basis of each half year as many factors affecting this can only be assessed over the year as a whole.

However, having regard to the Capital Allowances and various reliefs available to Group Companies it appears to be unlikely that the rate of charge for tax for the current financial year will differ significantly from that shown for the 53 weeks to the 3rd September, 1977.

Profits at a satisfactory level were achieved by the Company's subsidiaries engaged in flour milling and the manufacture of animal feedingstuffs but a loss was incurred by our frozen foods factory. This operation started a year ago and with rapidly increasing sales it is not unrealistic to expect a contribution from Society Fare Ltd. in the next financial year. The major sectors of our business are continuing to trade well and although it is too soon to make a definite assessment it appears that the recent reduction of capacity in the bread industry will be beneficial to our bakery interests.

If the present control of dividends by legislation continues it will be necessary to limit the total dividend to be paid for the year. With this is mind the Directors have declared an Interim Dividend on the Ordinary Share Capital of the Company for the year ending 2nd September, 1978 of 0.96p per share (Interim Dividend 1977, 0.88p per share). The dividend declared will absorb £48,000 of the profit and will be paid on the 3rd July, 1978 to those registered as Shareholders on the 23rd June, 1978.

Carlisle, 1st June, 1978. *Ian C. Carr (Chairman)*

BICC 'poor record' criticised

Results over the past ten years at BICC, the UK's leading cable manufacturer, suggest that there is a lack of effective individual incentive within the company, a major shareholder claimed yesterday.

Speaking at the annual meeting, Mr. Geoffrey Atherton, former chairman of BICC subsidiary Dorman Smith, said BICC enjoyed a high reputation for the gentlemanly way in which it conducts its affairs. But Mr. Atherton, who said he represented a holding of well over half a million shares, added: "I do wonder if all the directors appreciate that the ten year record of the company is poor and that the five year record is worse." Additional capital, he claimed, appeared to have been spent without commensurate return while the record suggested that there was a lack of effective individual incentive.

Replying to Mr. Atherton's remarks, BICC chairman, Mr. C. H. Broughton Pipkin, commented: "I accept that it is true that the ten and five year record is not as good as it should be. The results last year were substantially better and I believe we can continue to improve them. We do have some incentives in the company in the way of bonuses and share options but if Mr. Atherton has some proposals we would all be very pleased to hear them."

Earlier Mr. Broughton Pipkin had stated that it was still too early to be commenting further on the prospects for the full year. In his statement to shareholders in the annual report he had said he believed the company would produce some improvement in its 1978 results through efforts to improve efficiency and therefore profitability. He had also said that on account of the company's heavy dependence on the level of world trade the 1978 results could be substantially better if there was an improvement in that direction.

Yesterday he added that he could at least say that despite difficult trading conditions the company was making progress in those matters which it could control or influence. With regard to world economic conditions, however, he could not see any positive evidence of the recovery for which everyone was hoping.

In answer to a question about the move to and BICC's link with the U.S. General Cable Corporation, Mr. Broughton Pipkin said he "had reason to believe" the company could get a higher price for its 20.1 per cent stake if the American company does not take up its option by the expiry date of July 24.

In a formal offer to General Cable, BICC has set a price of $18.60 per share—more than $53m for the 2.87m shares involved. After the meeting Mr. Broughton Pipkin said BICC had not yet been notified of the US company's decision.

F. MILLER PREF. SCRIP

Full details of F. Miller (Textiles) scrip issue of preference shares were announced yesterday.

The issue will be of 720,000 cumulative preference £1 shares with a coupon of 11 per cent. They will be issued on the basis of one for every 15 ordinary shares held.

ENERGY SERVICES

The directors of Energy Services and Electronics state that there was a small error in the UK tax charge in the preliminary figures for 1977 due to a miscalculation of ACT on the dividend.

The correction of this has the effect of increasing the charge to UK tax by £47,000 with an equivalent reduction in profits after tax, from £661,000 to £614,000, and a reduction in earnings per 10p share from 1.8p to 1.67p.

NO PROBE

The proposed merger between Associated Engineering and Tempered Group is not to be referred to the Monopolies Commission.

SHARE STAKES

Office and Electronic Machine—Mr. E. Marcus, chairman, has disposed of 100,000 shares.

UDS Group—Prudential Assurance Group now holds less than 5 per cent of the issued equity capital.

London United Investments—Mr. G. C. Thompson, director, has sold 30,000 shares at 170p.

Monument Securities—Mr. C. J. Armstrong, director, has disposed of 50,000 ordinary shares.

Mooloya Investmnets—Mr. M. Cambell, chairman, has purchased 5,250 shares at 56½p.

Fine Art Developments—Mr. D. I. Barnes, director, has disposed of 250,000 shares reducing his holding to 1.98m shares. Mr. G. B. Barnes, director, has disposed of 250,000 shares reducing his interest to 1.39m shares.

Ready Mixed Concrete—Mr. C. S. Aston, director, has sold 33,500 shares.

Willis Faber—Mr. R. N. Bowes, director, has sold 73,000 shares at 263p.

Antony Gibbs Holdings—Lord Aldenham, director, has sold 60,000 shares at 39½p.

Stag Furniture Holdings—The following 10 per cent preference shares have been sold: V. N. Radford beneficial 21,073; P. V. Radford beneficial 52,220; J. D. Radford beneficial 13,814; P. V. Radford, as trustee, 46,896. Total sales, less duplications, 87,740 all at prices between 90.34p and 100p.

Stag Furniture Holdings—21,238 preference shares in which V. N. Radford had a beneficial interest have been sold at 102½p.

Crossley Building Products—UK Temperance and General Provident Institution holds 500,000 shares (7.42 per cent).

Crosby House Group—International Investment Trust Co. of Jersey has an interest in 189,230 shares (24.2 per cent).

Finance and Industrial Trust—Harmer Finance has bought 11,902 shares making total holding 1,663,00 shares (64.4 per cent).

Montagu Boston Investment Trust—Commercial Union Assurance Co. has sold 140,000 shares reducing holding to 1.05m shares (10.5 per cent).

A. B. Electronic Products Group—Stockholders Investment Trust has acquired interest of 200,000 shares (6.01 per cent).

Empire Stores (Bradford)—Mr. J. Fattorini, director, has disposed of 30,000 shares.

Provincial Cities Trust—Cornhill Insurance has acquired a further 32,000 ordinary shares bringing their total interest to 309,500 (10.51 per cent).

Regional Properties—Mr. F. G. Cotton, director, purchased 1,000 ordinary shares and Mr. M. S. Hardie, director, 101,000.

Crosby House Group—M. E. Newby, director, has sold 30,000 shares, M. D. Goodwin, director, 12,500 and F. Jamieson, director, 12,500. All at 62½p.

De Vere Hotels and Restaurants—L. Muller and A. T. W. Harvey have sold 256,000 shares out of their joint holding.

Bullough—Following recent rights issue, Mr. and Mrs. I. Bloohn's holding has changed to 609,451 shares (7.66 per cent).

William Press and Son—Mr. W. A. Hawken, Mr. D. D. Decarle and Mr. A. J. Gravelius, directors, have, as trustees of the group share incentive scheme, transferred to participants 14,400 ord shares.

Keyser Ullmann—Director, Mr. G. A. Naggar, on May 24, sold 22,000 ord shares at 48.5p. Mr. Naggar had a non-beneficial interest in these shares.

Midhurst White Holding—GCT Investments on May 22 sold 100,000 ord shares and on May 25 250,000. Reducing holding to 350,000 shares (7.32 per cent).

Idris Hydraulic Tin—Pengkalen has reduced its holding from 6.64 per cent to less than 5 per cent.

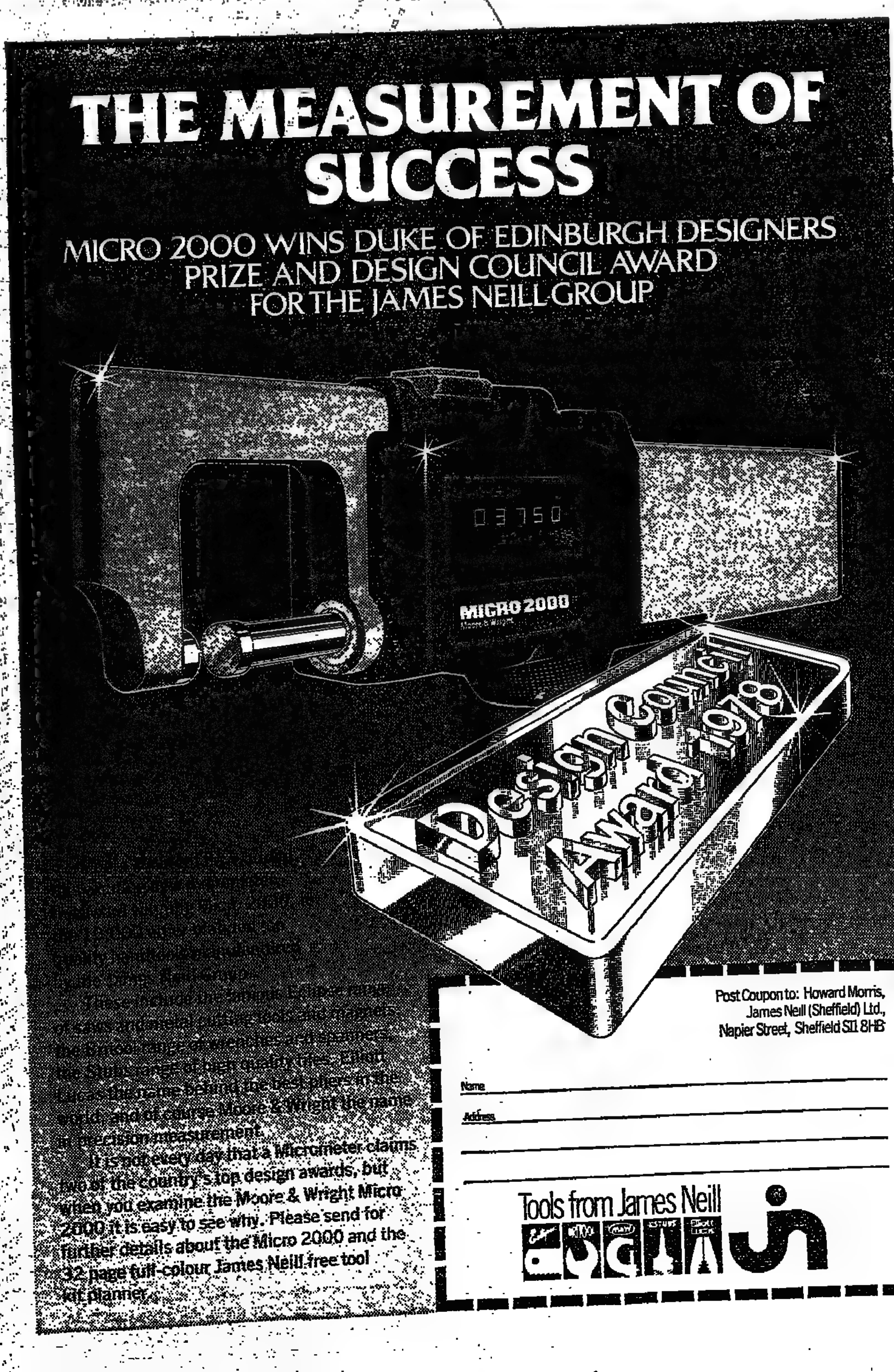
Bank of Scotland—Kuwait Investment Office has acquired a further £10,000 stock units of £1 making a total holding of £1,913,000 (5.938 per cent).

Olives Paper Mill Company—Mr. A. S. Roscow's shareholding has increased by 15,000 to 115,000 Ordinary shares (7.18 per cent).

Toye and Co.—J. B. Hayward and Son (Medal Specialists) now hold 184,000 Ordinary shares (8.2 per cent).

C. A. Sperati—Mr. R. Marsh no longer holds 7,140 Ordinary shares registered in his name (14.28 per cent), having disposed of 6,500 of his holding. Names of holders holding 5 per cent or more of the company are: Robert Marsh and Mrs. M. J. Marsh (trustees of A. D. Marsh, deceased) 7,406 (14.81 per cent) shares, A. J. S. Orchard 3,498 (7 per cent) shares, B. S. Walker 4,547 (9.09 per cent) shares, and Mrs. K. D. Bramham 2,785 (5.57 per cent) shares.

Energy Services and Electronics—F. G. Rollason has purchased 75,000 shares on May 22 and a further 25,000 on May 23.



New Issue

These Bonds having been sold, this announcement appears as a matter of record only.

June 1, 1978

NIPPON SHINPAN CO.,LTD.

Tokyo, Japan

DM 50 000 000.–

Convertible Bearer Bonds of 1978/1985

Issue Price: 100%

Interest:	3¾% p.a., payable semi-annually on April 1 and October 1
Final Maturity:	April 1, 1985
Conversion Right:	from August 1, 1978 into shares of Common Stock of Nippon Shinpan Co., Ltd. at a conversion price of ¥ 738 per share
Listing:	Frankfurt (Main)

Berliner Handels- und Frankfurter Bank

Daiwa Europe N.V.

Sanwa Bank (Underwriters) Limited

Credit Suisse White Weld Limited

N. M. Rothschild & Sons Limited

Smith Barney, Harris Upham & Co. Incorporated

Algemene Bank Nederland N.V.	A. E. Ames & Co. Limited	Amsterdam-Rotterdam Bank N.V.	Banca Commerciale Italiana
Banca del Gottardo	Banco Ambrosiano	Bank of America International Limited	Bank für Gemeinwirtschaft Aktiengesellschaft
Bank Leu International Ltd.	Bank Mees & Hope NV	Banque Bruxelles Lambert S.A.	Banque Générale du Luxembourg
Banque de l'Indochine et de Suez	Banque Internationale à Luxembourg	Banque Nationale de Paris	Banque de Neuflize, Schlumberger, Mallet
Banque de Paris et des Pays-Bas	Banque Rothschild	Baring Brothers & Co., Limited	Baring Sanwa Limited
Bayerische Hypotheken- und Wechsel-Bank	Bayerische Landesbank Girozentrale	Bayerische Vereinsbank	BHF-BANK International
Blyth Eastman Dillon & Co. International Limited	Caisse des Dépôts et Consignations	Chase Manhattan Limited	Citicorp International Group
Commerzbank Aktiengesellschaft	Crédit Commercial de France	Crédit Lyonnais	Creditanstalt-Bankverein
Dai-ichi Securities Co., Ltd.	Daiwa Europe (Deutschland) GmbH	Daiwa Securities (HK) Limited	DBS – Daiwa Securities International Limited
Deutsche Bank Aktiengesellschaft	DG BANK Deutsche Genossenschaftsbank	Deutsche Girozentrale – Deutsche Kommunalbank –	Dillon, Read Overseas Corporation
Dresdner Bank Aktiengesellschaft	First Boston (Europe) Limited	Robert Fleming & Co. Limited	Genossenschaftliche Zentralbank AG – Wien
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Goldman Sachs International Corp.	Groupement des Banquiers Privés Genevois	Hambros Bank Limited
Hill Samuel & Co. Limited	Industriebank von Japan (Deutschland) Aktiengesellschaft	Inter-Alpha Asia (Singapore) Limited	Istituto Bancario San Paolo di Torino
Kleinwort, Benson Limited	Kredietbank N.V.	Kredietbank S.A. Luxembourgeoise	Kuhn Loeb Lehman Brothers Asia
LTCB Asia Limited	Manufacturers Hanover Limited	Merrill Lynch International & Co.	B. Metzler seel. Sohn & Co.
Morgan Grenfell & Co. Limited	Morgan Stanley International Limited	Nederlandsche Middenstandsbank N.V.	New Japan Securities Co., Ltd.
The Nikko Securities Co., (Europe) Ltd.	Nippon European Bank S.A.	Nomura Europe N.V.	Österreichische Länderbank
Sal. Oppenheim jr. & Cie.	Orion Bank Limited	Pierson, Heldring & Pierson N.V.	Privatbanken Aktieselskab
Rothschild Bank AG	Salomon Brothers International	J. Henry Schroder Wagg & Co. Limited	Société Générale
Société Générale de Banque S.A.	Swiss Bank Corporation (Overseas) Limited	Taiyo Kobe Finance Hong Kong Limited	Tokai Kyowa Morgan Grenfell Limited
Trinkaus & Burkhardt	Union Bank of Switzerland (Securities) Limited	Vereins- und Westbank Aktiengesellschaft	J. Vontobel & Co.
M. M. Warburg-Brinckmann, Wirtz & Co.	S. G. Warburg & Co. Ltd.	Westdeutsche Landesbank Girozentrale	Westfalenbank Aktiengesellschaft

Williams, Glyn & Co.

Wood Gundy Limited

Yamaichi International (Europe) Ltd.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Fewer new chemicals projects

By Kevin Done, Chemicals Correspondent

THE U.S chemicals industry has sharply reduced the number of major capital expenditure projects announced in the first quarter of the year.

According to a report from Salomon Brothers, the New York stockbrokers, far fewer new capital projects were sanctioned in the first three months of the year than in any quarter for at least five years.

There was not one announcement of a large chemical plant costing more than $25m from any of the top 40 U.S. chemical companies, from U.S. conglomerates with chemical interests or from foreign chemical companies operating in the U.S.

Only the oil companies were still active in launching major investments, including Shell which is building a new ethylene plant in Louisiana. Four large chemical plants were announced by oil companies, but even for this sector the number of new initiatives was sharply reduced.

Salomon Brothers forecast that capital spending on chemicals in the U.S. will be virtually flat in absolute dollar terms during 1976-79. Chemical capital expenditures in 1978 will total some $8.5bn, consisting of $5.5bn from chemical companies, $1.5bn from oil companies, $1.0bn from foreign companies and $0.5bn from U.S. conglomerates.

Over the four years to 1979 the building of new plants will be excessive, outstripping the growth in demand for the products.

However, if the low level of new announcements continues, as is expected, new plants will only be adding 1-2 per cent a year to industry capacity in the early 1980s.

Labour cutback underlines problems at Jos. Schlitz

BY DAVID LASCELLES

NEW YORK, May 31.

JOS. SCHLITZ, one of the big five U.S. brewers which is fighting a losing battle to keep its share of a fiercely competitive market, today announced from its Milwaukee headquarters that it would start laying off workers at its eight breweries over the next two or three weeks.

It gave no precise figures, but said the lay-off would affect "less than 5 per cent" of the work force, which numbers 7,150.

The announcement is the latest symptom recently displayed by Schlitz that all is not well with its operations. Only three years ago the company was in an undisputed number two position behind Anheuser-Busch in the 150m barrel a year U.S. beer industry.

Now, it lies a doubtful third after Miller Brewing, which has made spectacular gains since it was taken over by Philip Morris in 1969. Schlitz's sales declined last year for the first time in a decade, and earnings of $20m compared to 1973's record $53.7m.

In retrospect, it is clear that one of Schlitz's big mistakes was its failure to perceive the rapid growth of so-called "light beer," a lager-like brew which has shown the fastest market gains in the last four years. In contrast, Miller Brewing was right in on the start with its own brand, Lite, which it brought out in 1973.

In the last 18 months, Schlitz has been grappling with mounting problems, including an ill-conceived advertising campaign which tried to bully drinkers into buying Schlitz beers. It has also been charged with violating Federal Income Tax and Alcohol Laws, though it is contesting the indictment.

The company's uncertain position has given rise to a spate of takeover or merger reports. Earlier this month it confirmed that there had been talks with R. J. Reynolds, the tobacco company, about a possible merger, but with no substantive progress so far.

However, in an effort to get back on the road again, Schlitz has been overhauling its management, and last month it hired Mr. Allin Proudfoot, marketing head of Coca Cola, to head its own marketing division.

U.S. Steel in SEC inquiry

PITTSBURGH, May 31.

U.S. STEEL has disclosed that it is under investigation by the Securities and Exchange Commission (SEC) "to determine the adequacy under the securities laws of U.S. Steel's disclosures relating to environmental matters.

The steelmaker is discussing possible resolution of the matter through a SEC "administrative proceeding." The company said this could involce an "offer of settlement" by U.S. Steel, which might include commissioning of an independent study of environmental-compliance costs and establishment by the company of procedures "to ensure the adequate disclosure of environmental matters."

The SEC investigation was initiated last year and has involved subpoena of some company documents relating to environmental matters and testimony from several U.S. Steelemployees.

The company disclosed the investigation in a Form 8 amendment to its 1977 10-K anual report to the SEC. At the same time, the company amended other, non-environmental details of its business. These changes offered additional information about the market distribution of the company's steel products, and more detailed summaries of recent market conditions affecting U.S. Steel's chemicals, resource development and fabricating and engineering subsidiaries.

A SEC official said U.S. Steel's business segment amendments were the result of a broad push by the agency to require expanded business segment reporting by large, diversified companies. He said these amendments had no relation to the SEC investigation of the company's environmental disclosure. AP-DJ

BP and Caltex in $180m Singapore refinery plan

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM, Singapore Petroleum Company and the Caltex Petroleum group are to join forces in a major Singapore refinery project costing over $180m.

BP and Caltex are to take a stake in Singapore Petroleum's 70,000 barrels a day refinery at Pulau Merlimau, Singapore, and become involved in a project to add a further 100,000 barrels a day of new capacity.

The proposals come at a time when there is serious refinery over-capacity in many parts of the world—particularly in Western Europe—and when Middle East oil producers are expanding their own refinery capacity

BP, which could invest between £30m ($54.5m) and £35m ($63.6m) in the project, pointed out, however, that its involvement arose from the company's projected deficit of refined products in South East Asian and Australasian markets. The additional output could eventually replace existing capacity at BP's small 30,000 b/d refinery in Singapore.

The British company added that the Far Eastern market differed from Europe in that its refining capacity would be fully utilised by the 1980s. Europe's over-capacity was expected to remain for the foreseeable future.

The arrangements under discussion include the formation of a new processing refinery company by Singapore Petroleum. SPC will hold 40 per cent. of the issued capital stock with BP and Caltex holding the remaining 60 per cent in equal shares. Caltex is the refining and marketing interest of two major U.S. oil companies—Standard Oil of California and Texaco.

It is expected that the planned refinery expansion will be completed by late 1980.

Mr. Tan Boon Teik, chairman of SPC and chairman-designate of the new company, said that all the participants regarded the developments as a significant step forward both for themselves and for Singapore.

SNC buys New York concern

BY ROBERT GIBBENS

MONTREAL, May 31.

THE SNC Group, Canada's second largest consulting engineering and project management concern, has acquired Singmaster and Bryer of New York through SNC Corporation, its U.S. holding company.

Last year SNC acquired a major interest in Hensley-Schmidt, of the U.S., forming a joint company operating from Atlanta.

Singmaster and Bryer offers specialised expertise in the metallurgical and chemical industries in the U.S. and overseas. It will continue under its present name and management. No financial details were disclosed.

Meanwhile, the growing Toronto real estate development company Olympia and York Developments, which recently moved into the New York market, plans to make a bid through the facilities of the Toronto and Vancouver stock exchanges for shares of the Vancouver realty concern Block Bros. at C$9 a share.

Olympia already owns 23 per cent of Block and about 15 per cent of oustanding stock is held by senior officers Arthur and Henry Block. The offer is being made for shares held by the public.

Simpsons-Sears, Canada's largest mail order organisation and also a major department store chain, has bought the former Electrohome home electronics plant at Stellarton, Nova Scotia. It will be used as a distribution centre for some Sears lines in the maritimes and later will become also a catalogue clearing centre.

Campeau slips into deficit

By Our Own Correspondent

MONTREAL, May 31.

CAMPEAU CORPORATION, the major Ontario and Quebec real estate developer, showed a first-quarter loss of C$1.9m (U.S.$1.7m) against a profit of C$ 544,000 or 6 cents a share a year earlier. There was a cash flow deficit of C$539,000 against C$544,000 or 6 cents a share a The loss was attributed to slow housing markets in Montreal and Ottawa.

Increase at Monenco

By Our Own Correspondent

MONTREAL, May 31.

MONENCO, Canada's largest engineering and project management group, earned C$1.5m (U.S.$1.35m) or 52 cents a share in the first half, against C$1.2m or 41 cents a year earlier. Operating revenues were C$24m (C$20m). The company has disposed of its shares in Banister Continental, the western pipeline group.

EUROBONDS

Strong demand for NatWest

By Francis Ghilès

THE MARKET was fairly active yesterday, with prices somewhat mixed. Some dealers are beginning to feel that short-term paper might move up a little, and report some investor demand. The floating rate note sector was very quiet.

The National Westminster issue was priced last night: the $125m floating rate note tranche was increased by $25m to $150m as a result of very strong demand and priced at par. This is the largest floating rate note ever.

In the Deutsche Mark sector, prices moved up again yesterday: the recent Industrial Bank of Japan issue has seen its price move from 97.5 to 98.4 since the beginning of the week.

Massey-Ferguson lower

TORONTO, May 31.

IN LINE with predictions of hard times ahead for Massey-Ferguson when it reported a loss of some $38m for the first quarter, the company has announced a second quarter loss of $16.7m against the net profit for the same period last year of $2.1m. This was on sales ahead by 17 per cent at $777m. The company reports its figures in U.S. dollars.

Looking ahead, Mr. Albert A. Thornborough, the company president says that profitable operations are not expected to resume "until sometime in the fourth quarter." However, while the outlook for the remainder of 1978 is tempered by indications of softening markets for farm machinery in many parts of the world, as the second half progresses, programmes now undertaken "will progressively improve operating costs and the balance-sheet."

For the first half as a whole, this brings the company's net loss to $55.5m against a net profit of $5.2m or 1 cent a share for the same period of last year. Sales for the half are 14 per cent higher at $1.31bn.

While the outlook for farm prices appears to "justify cautious optimism" for the rest of the year in North American farm machinery, industrial and construction machinery is expected to show little improvement over 1977.

Efforts to dispose of part or all of the construction machinery business continue.

Agencies

General Mining and Finance Corporation Limited

(Incorporated in the Republic of South Africa)

Chairman's Review—1977

The turnover of the Group, including associated companies, has been rising steadily, and for the year under review amounted to R2,044 million. The distribution of this amount is illustrated below.

UNION CORPORATION LIMITED

General Mining and Union Corporation, whose activities are complementary, continue to retain their separate identities and organisation structures.

FINANCIAL RESULTS

Group income before taxation increased from R106.8 million to R113.9 million and after taxation from R78.0 million to R86.3 million while income attributable to ordinary shareholders increased from R34.5 million to R43.3 million. Earnings per share rose accordingly by 25.3 per cent from 415 cents to 520 cents. The total dividend for the year increased by 7.1 per cent from 210 cents to 225 cents per share, the dividend cover being 2.3 as compared with 2.0 in the previous year. There was also an increase of 19.7 per cent in net asset value per share at the year-end from 4,553 cents to 5,452 cents.

During 1977, General Mining repaid R48.0 million of its own loan capital.

GROUP ACTIVITIES

The production of gold remains an important aspect of the Group's activities. The increase in the price of gold during the past year resulted in a significant improvement in the profitability of the gold mines. The demand for Kruger rands has increased and at present there is a considerable demand in Germany and the United States.

Production of uranium increased by 22 per cent during the year mainly as a result of higher production by West Rand Consolidated Mines Limited. Considerable progress has been made in renegotiating sales contracts which were concluded at a time when prices, in terms of current levels, were very low. This process is continuing.

Labour supply, particularly during the second half of the year was satisfactory and it was possible to maintain production at a high level. The eleven-shift fortnight, however, had an adverse effect on working costs as additional labour costs were incurred in order to maintain production.

It is expected that supply of Black labour will remain satisfactory in the immediate future. Considerable attention is being given to the training and stability of labour.

The present level of the gold price is encouraging and eases the problems of marginal mines.

A *prospecting trench* was excavated in the Langer Heinrich uranium deposit located near Swakopmund in South West Africa. The purpose of this trench is to provide further geological information on the nature and type of the deposit and to provide ore for a pilot plant which has been established at the Group Laboratories at Krugerdorp to determine the optimum design parameters for a future recovery plant. Related marketing and financing investigations were also continued.

The Group's coal mining activities continued to expand, with sales from the Group's collieries increasing by 7 per cent over the previous year's performance to reach 27.8 million tons during the 1977 calendar year.

To provide replacement coalfields and sustain the desired rate of growth, regional prospecting of potential new coal areas, as well as detailed geological investigations of the coal reserves in the Highveld, continued unabated during the past year. An interesting discovery in the Northern Transvaal includes a coalfield containing a metallurgical low ash fraction and a power station middlings fraction

Varying conditions in the markets for the minerals and metals produced by the Group were experienced during the year. The asbestos market which had shown strong growth trends became static towards the end of 1977. The markets for other minerals and metals were affected by the continued unfavourable economic conditions particularly in the case of products related to the steel industry. In general, however, the Group was able to maintain a satisfactory position.

The activities of the Group's industrial subsidiaries cover a wide field and are, therefore, affected by a variety of factors. In general, it has been found that the economic recession has placed the profit margins of all the companies under considerable pressure. The steel industry in particular was adversely affected in the export markets where the expected recovery of the national economies of the Group's important trading partners has not yet occurred.

PROSPECTS

The results for 1977 were better than could have been foreseen at this time last year. This was mainly due to a higher performance by industrial subsidiaries than was expected and a more stable and higher gold price.

As far as the gold mines are concerned, the trend of the gold price is, of course, the most important factor. In this connection, the foreseeable level of the gold price will depend largely on the extent of confidence in currencies and the international monetary system. The price could also be influenced by the decisions of the American government on programmes of sales of gold from their reserves. The indications of greater stability in the gold market referred to last year, materialised and it is particularly pleasing that the industrial demand for gold showed signs of permanent growth. The marketing by the industry of Kruger rands was also continued with particular success, and during the past few months approximately 30 per cent of the industry's total production was marketed in this manner. The gold price in the traditional markets remains to some extent sensitive to reduced supply. The gold mining industry must, therefore, actively pursue its attempts to create new demand for gold through the continuation of the promotion campaigns which have been successfully carried out in the past.

The increases in production costs in the gold mining industry continue to be a matter of serious concern. During the past number of years increases, particularly in price-controlled costs such as electric power, railage and steel have caused unit production costs to escalate above the rate of inflation. In addition, wages in the industry have also risen much faster than productivity. In fact, productivity has shown a decrease in recent times. All these factors constitute a danger to the industry and it is necessary that the utmost discipline be exercised in this regard in order to retain the vitality of the industry.

The possible effect on the gold mining industry of a continued high rate of growth in production costs needs to be thoroughly considered by the State and all concerned. This includes all the resultant effects of a possible reduction in the number of mines which will be able to produce gold profitably in the future. Possible unemployment resulting from the closure of mines and the decrease in foreign exchange earnings are particularly important

During the year a decision was taken to establish the uranium plant, referred to last year, which will produce uranium from the accumulated slimes of the Buffelsfontein and Stilfontein gold mines. Satisfactory financing and marketing arrangements in this regard have been completed

The Group's coal mining production is expected to remain static during 1978 except for Matla Colliery which will start producing on a small scale to build up the stockpile for Matla power station which comes on stream in April 1979. Ermelo Mines will expand to its full commitment of 3 million tons per annum of export steam coal during 1979.

The substantial reserves of Trans-Natal and Union Corporation place the Group in a sound position to meet the expected marketing opportunities in the domestic, power station and metallurgical markets, as well as in the export markets for which the further expansion of the Richards Bay Coal Terminal facility is a prerequisite.

Exploration and evaluation of the new metallurgical coal field as well as the new bituminous coal fields in the Northern Transvaal is continuing. Portions of the bituminous coal fields are uranium-bearing but the economic viability of this occurrence has yet to be established.

The world demand for other metals and minerals remains weak. A delayed weakening in the demand for asbestos also occurred as a result of the world-wide recession although an improvement in the medium term is expected. The demand for chrome ore is weaker and income from this source in the current year is expected to be lower. There continues to be much world-wide surplus capacity in the ferro-alloy industry, with low demand. This, of course, creates problems in respect of the new plant at Tubatse Ferrochrome where two of the three furnaces are now in operation. Technically, the plant is operating extremely satisfactorily but the financial results are unsatisfactory owing to the low level of turnover and, in particular, the fact that power costs at this plant are now R3 million per annum higher than expected when it was decided in 1974 to erect the plant.

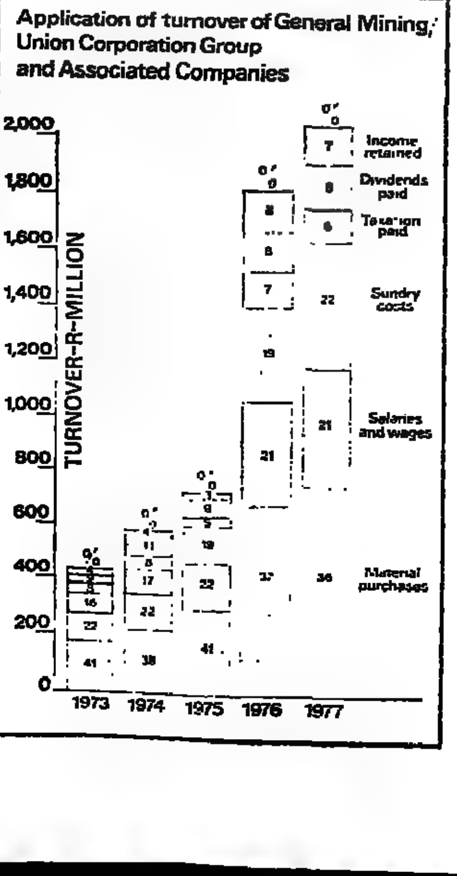
Owing to the continued restriction of State expenditure and the low level of other capital expansion work, the prospects for a number of industrial subsidiaries remain unfavourable for the current year.

With a slightly better operating profit for General Mining itself, together with the expectation of a somewhat lower level of taxation in the Group as a whole, the results for 1978 should, however, once again be satisfactory

W. J. DE VILLIERS, Chairman

2 May, 1978

Application of turnover of General Mining, Union Corporation Group and Associated Companies



VONTOBEL EUROBOND INDICES

14.5.76=100%

PRICE INDEX	30.5.78	23.5.78	AVERAGE YIELD	30.5.78	23.5.78
DM Bonds	105.72	105.77	DM Bonds	6.611	6.596
HFL Bonds & Notes	104.67	104.95	HLF Bonds & Notes	7.472	7.415
U.S. $ Strt. Bonds	99.37	99.86	U.S. $ Strt. Bonds	8.811	8.722
Can.-Dollar Bonds	100.00	100.05	Can.-Dollar Bonds	9.284	9.270

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

MEDIUM TERM CREDITS

Montreal raising $250m

BY FRANCIS GHILES

THE COMMUNAUTE Urbaine de Montreal is raising $250m on a spread of ⅝ per cent over the interbank rate for 10 years. Other terms include a three-year grace period. Part of the proceeds of this loan, which is being lead-managed by Chase Manhattan, will help refinance, at much lower costs to the borrower a $200m seven-year loan raised last summer.

The borrower paid on that occasion a split spread of 1¼ per cent for the first four years rising to 1⅜ per cent. The grace period on the new loan is also more generous—three years compared with 18 months last year.

Italian borrowers are also active in the market. Two loans are currently being arranged while a third an much larger one for the Italian State Railways is expected very soon.

Finsider, the state steel holding company, is raising $55m for five years on a spread of 1⅞ per cent. Other terms include a three year grace period. There is no guarantee f orthis loan which is being arranged by Bank of Tokyo and Detroit and Banca Nazionale del Lavoro.

The other loan — for Finmecanica — is a two-tranche operation and is being arranged by BAII. A $15m tranche is for five years with a two-year grace period and carries a spread of 1⅞ per cent. The other tranche, $35m, is for three years with the same grace period and a spread of 1 per cent. There is no guarantee.

The Commonwealth of Australia is raising Fl300m for 10 years on a fixed rate of interest through a group of banks led by Amsterdam Rotterdam Bank.

Three-way Spanish bank deal

BY DAVID GARDNER

BARCELONA, May 31.

BANCO DE SANTANDER, one of Spain's "big seven" national banks, has bought a majority holding in Banca Jover, an old-establish Catalan family bank, from the Barcelona - based industrial Bankunion, which holds approximately 55 per cent of the Jover equity.

The sale was confirmed at the Bankunion annual meeting yesterday for a reported price of eight times the nominal value of the shares, which Bankunion president, Sr Jose Ferrer Bonsoms, estimated at more than twice their real value. Bankunion is therefore likely to receive Pta 3.5bn ($4.7m) for its portion of the Jover equity.

The announcement ends weeks of speculation, following the announcement that the sale of Jover was being negotiated through a foreign intermediary, which turns out to be Rothschilds. It is thought that Santander will be offering similar terms to the holders of Jover's 45 per cent minority equity, or an exchange for Santander shares. The final price will therefore be around Ptas 6bn ($8m).

The mechanics of the purchase—an approach through an intermediary empowered to make a single, but substantial offer—cuts out any rival bids from other, particularly Catalan banks.

Banca Jover is a small commercial bank with Pta 12bn in deposits and some 20 branches, located almost exclusively in Catalonia. Santander has thus extended its national coverage, while increasing its presence in Catalonia, Spain's most important industrial area, and traditionally the region which generates the highest level of savings.

Bankunion is left with the Banco de Gredos as its main commercial arm. Gredos was severely hit by the collapse of the Banco de Navarra/MPI group at the beginning of the year, prior to its take-over by Bankunion. Invex the company which owned 53 per cent of Gredos, also has a 13 per cent stake in Bankunion.

At the time of the Gredos purchase, Bankunion increased its stake in Jover. It also extended its capital increase earlier this year to Jover. Bankunion itself expects to make good its lost coverage by opening up ten new branches this year, three of which are already in operation. The bonus from the sale of Jover, will permit faster expansion, Sr Ferrer said yesterday. It finished last year with profits of Pta 926m ($1.2m), 2.7 per cent up on 1976, total deposits up by 14.2 per cent to Pta 63bn, and capital and reserves up by 5.9 per cent to Pta 8.7bn.

VDO acquires Saphir watches

BY JOHN WICKS

ZURICH, May 31.

THE German company VDO Adolf Schindling AG, which recently acquired IWC International Watch Company, of Schaffhausen, has obtained control of another well-known Swiss watch concern. VDO is also contemplating a rights issue. Working through its Zurich subsidiary Inistek AG, the VDO group has taken up over half the capital of the Geneva-based holding company Saphir SA.

The company owns the high-price-bracket brands Favre-Leuba, Lecoultre and Jaeger-Lecoultre, with production units in Geneva and Le Sentier. It recorded a small profit last year after a loss of SwFr 5.6m in the 1976 period. A capital re-structuring was carried out to improve its financial situation.

A number of shareholders are now said to have sold their Saphir stock to VDO.

Meanwhile, Sika Finanz AG has acquired 39 per cent of Sika Chemical Corporation, of New Jersey, from the Dow Chemical Group. The Swiss company thus becomes sole shareholder in Sika Chemical, which is currently expanding capacities for concrete additives in Los Angeles, Dallas and Illinois.

Bayernverein for City

BY JONATHAN CARR

BONN, May 31.

WEST GERMANY'S fifth largest bank, Bayerische Vereinsbank, tomorrow opens a full branch office in London as part of its continuing expansion programme at home and abroad.

The London branch business will chiefly focus on German customers wanting to invest in Britain. But the bank will also be gaining greater access to a second major Euromarket centre, following its establishment of a subsidiary in Luxembourg in 1971. The bank has total assets of DM 37.3bn, nearly 400 branches and 10,000 staff.

Outlook now brighter at Perstorp

BY JOHN WALKER

STOCKHOLM, May 31.

PERSTORP, the Swedish chemicals group, is more optimistic at the end of the first eight months of its financial year (September 1977 to April 1978) than in earlier forecasts. Group sales amounted to SKr 773m ($166m) compared with SKr 630m in the same period in the previous year, and the forecast for the whole of this year is that sales will rise to SKr 1.1bn compared with SKr 930m in the previous year.

Dutch insurer sees increase

By Our Financial Staff

HIGHER profits this year are forecast by Nationale-Nederlanden, the largest Dutch insurance group, whose profits at the after tax level rose by 15 per cent in 1977.

At the annual meeting yesterday, the company said first quarter 1978 revenue was 9 per cent higher and would have shown an increase of 12 per cent but for the adverse impact of the appreciation of the Guilder in foreign exchange markets.

Actual profits for the opening three months are not available. For the whole of this year the company expects the Dutch market to improve in the non-life sector. Outside the Netherlands an increase in non-life profits "seems unlikely."

Shutdown in Sardinia

RUMIANCA SPA, a chemical company linked to the SIR chemical group, said it intends to close down its Rumianca Sud petrochemical plant in Sardinia temporarily because of lack of raw materials, Reuter reports from Rome.

The plant normally obtains supplies from SIR's Porto Torres petrochemical plant in North Sardinia, but SIR's financial difficulties have caused this plant to reduce output, industry sources said.

The Rumianca plant is to close down progressively from next week and about 930 workers will be laid off, Rumianca said.

Olivetti sales rise

ING C OLIVETTI E C SPA chairman Bruno Visentini said the group sales in the first four months of 1978 rose by 11.4 per cent from 1977 levels to L372.3bn ($430m), Reuter reports from Ivrea.

Parent company turnover rose 14.4 per cent to L142.7bn, he told shareholders.

Orders rose by 10.3 per cent world wide and 20.7 per cent in Italy, he added. He made no forecast for profits or for a possible resumption of dividend.

Deutsche Shell loss

DEUTSCHE SHELL AG, the German unit of the Royal Dutch/Shell group, reports a loss of DM 34.5 ($17m) for 1977 compared with a net profit of DM 240.4m in 1976, writes AP-DJ from Hamburg. Sales fell 2.1 per cent in 1977 to DM 12.240bn from DM 12.508bn. However the company expects to return to profitability in 1978.

The prime factor behind the better 1978 prognosis, is the expectation that the company will be able to reduce its oil sector losses to DM 11 a ton from DM 19.30 a ton losses in 1977.

CIGA in the black

THE Compagnia Generale Grande Alberghi (CIGA) SPA posted net profits of L295m ($340,000) for 1977 after three straight years of severe losses, AP-DJ reports from Milan.

CIGA had posted deficits of L9.6bn in 1974, L4.1bn in 1975 and L2.5bn in 1976.

The company, grouping Italy's most luxury hotels, reported its 1977 income amounted to L41bn up 36 per cent from the previous year.

Cartier to go public in New York

By David White

PARIS, May 31.

THE DIVIDED Cartier Jewellery empire is to be brought together again into one group and plans to launch its shares for the first time to the public.

In Paris, where the concern began in 1847, Cartier said the separately-run operations in New York, Paris and London would be regrouped under a single holding company. It is envisaged that the new joint company will apply for quotations of it shares, probably in New York.

Cartier began drifting apart at the beginning of the century, when it had already established itself as one of the leading jewellers in Europe, and sister companies were set up in New York and London.

The structure that the trio of Cartier brothers left behind is a complex one. Cartier is basically broken up into three divisions: the retailing and distribution network of Cartier Inc. in the U.S.; the Luxembourg-based European operations, including Paris, London and Geneva; and the manufacture of pens and cigarette lighters.

Sales from the different branches last year are put at just under $100m. Of this the European group accounted for rather more than half, with the remainder divided roughly equally between the U.S. group and the pen and lighter operation. Net profit last year, on a consolidated basis, is estimated at $7m.

Various alternatives are now being studied for the site of the holding company and the launching of Cartier shares, but New York is considered the most likely, being the most active market.

An initial introduction is thought likely on the American Stock Exchange and possibly later on the New York Stock Exchange.

VFW-Fokker: no mass redundancy

BY ADRIAN DICKS

DUSSELDORF, May 31.

VFW-FOKKER, the troubled West German-Dutch aerospace group, had not "come to the end of its existence" because of the cancellation of the VFW-614 short-haul jet airliner programme, the outgoing executive chairman, Mr. Gerrit Klapwijk, said here today.

Although he stressed that the company remains committed to the West German Government's proposal for a merger with Messerschmitt - Boelkow - Blohm, Mr. Klapwijk said that work in prospect had increased, so that there was now no immediate danger of mass lay-offs. This breathing space, it can be assumed, will be used by the VFW-FOKKER side to attempt to secure more favourable merger terms than those reliably understood to have been offered by MBB up to now.

Talks with MBB are still continuing, but the VFW-Fokker chairman offered no indication of when he expects them to be concluded. He said that they had centred around the West German interests of the group, but also stressed that the Netherlands Government had given the Dutch shareholders and the management a free hand—a move that appears to leave the way open for the considerable degree of cross-frontier integration achieved by VFW-FOKKER to remain in effect. The management has been arguing for some time to both the German and Dutch Governments that much would be lost if a politically-imposed solution were to attempt to unscramble the group.

Herr Johann Schaeffler, the deputy chairman of the central operating company, said that the VFW 614 programme had cost the company some DM 200m ($100m) and the West German government as much as DM 800m ($400m) before VFW-Fokker closed it down last december, in the form of development subsidies, loan guarantees and production aid.

In keeping with its undertakings to Bonn last December, when the government provided a DM 540m assistance package, VFW-Fokker has drawn down DM 150m from its reserves towards a DM 157m operating loss suffered on its 1977 activities. This virtually exhausts the resrves of the operating company.

For 1978, Mr. Klapwijk said, the group hopes to balance its books, and should be able to earn a small profit in 1979. Work in progress includes 25 per cent. of the European airbus—a 300 programme, with the prospect of increasing the labour force in North Germany the largely Dutch-built F-27 and F-28 airliners, the Dutch part of the F-16 fighter and subcontracting work on the MCA Tornado.

In addition, VFW-Fokker is expecting a go-ahead for the proposed Franco-Dutch Atlantique marine reconnaissance aircrift, with initial orders worth DM 200m, as well as further military work from the West German government as part of its pledge to spread the present balance more fairly. For this, Mr. Klpawijk said, VFW-Fokker was still effectively in competition with MB ABD the independent Dornier company.

Streamlined Varta sees recovery

BY GUY HAWTIN

FRANKFURT, May 31.

THE RADICALLY reorganised Varta group appears reasonably satisfied with progress since its reconstruction. The battery and plastics operations appear to be doing satisfactorily, while the pharmaceuticals operation got off to "a shining start." Only the electrical and air purification concern had a tough time.

Varta, a major industrial holding of the Quandt concern, previously operated as a group, but last year its three major components were hived off into independent companies in order to allow them to reach their full potential at their own pace.

While it is obviously too early to comment on whether the policy has proved a success, shareholder do not appear to have suffered in any way as a result of the arrangement.

Hans Graf von der Goltz, chief executive of the newly constituted Varta battery and plastic concern, said that for 1976 holders of 10 shares in the old Varta concern saw earnings of DM 70. Their 1977 stake in the newly constituted group brought them DM 69, plus, if they paid West German income taxes, the tax rebate coupon allowing them to offset corporation tax paid on their dividends against personal taxes.

In 1977, Varta saw world turnover increase from the previous year's DM 1.15bn to DM 1.2bn ($568m). In the first quarter of 1978, the concern saw sales remain unchanged from the comparable period of

The turnover figure, however, had been depressed by currency fluctuations. Sales of its overseas subsidiaries rose by only 2 per cent in Deutsche-mark terms, whereas, when accounted in their home currencies, their real growth was 15 per cent.

Altana, which operates in the pharmaceuticals and dietary products field, reported 1977 turnover up from DM738.6m to DM 805.7m. There are signs that expansion will also be strong in 1978 and first quarter sales were up 7 per cent, to DM210m.

CEAG, which operates in the light and power technology and air purification sectors, had a difficult time last year. Turnover fell from DM226.2m to DM202.2m. However, things started well in the first four months of 1977 with turnover up 21 per cent.

Although this puts the group on the way to a return to profitability, 1978 is also expected to produce a loss. The group's 1977 loss totalled DM20.2m—more than double that of 1976.

Meanwhile, VEW, West Germany's second largest electricity producer, expects profits to rise this year Reuter reports. In 1977 net profits fell to DM 88.9m ($45m) from DM 132m.

Turnover in the first five months of this year was 8 per cent higher and electricity sales were up 6 per cent. The company said it expected gross profits in 1978 "to exceed the DM 200m level," compared with DM 198m in 1977.

Last year's lower net profit was due to higher natural gas costs, special depreciation for the delay of the building permit of the nuclear power plant at Hamm in North Rhine Westphalia and the fact that authority to increase prices was "insufficient and given too late."

West Germans make CD offer

By Our Financial Staff

THE West German Government is making a tender offer in three- and four-year certificates of deposit, Kassenobligationen. The offer closes at noon tomorrow.

Dealers in Frankfurt were suggesting yesterday that the terms of the offer—a minimum rate of 5 per cent for the three-year paper and 5¼ per cent for the four-year notes—were on the "tight side" but that the sudden revival in local bond markets had created a relatively favourable background for the tenders.

The renewed strength of the Deutsche Mark at the expense of the dollar yesterday lifted domestic bond prices by up to a point at the long end and enabled the Bundesbank to reverse its recent policy and sell what was thought to be a substantial amount of stock. There are apparently signs of a renewed inflow of foreign funds into Germany, notably from Switzerland.

The last offer in Kassenobligationen (in March) raised around DM 1.7bn for the Federal authorities.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

JAL restores payment in spite of lower profits

BY CHARLES SMITH, FAR EAST EDITOR TOKYO, May 31.

JAPAN AIR LINES has written off the last of a Y17bn ($77m) loss incurred in 1974 and restored its dividend after a three-year suspension, the airline announced today.

The company also announced after tax profits of Y8.14bn for *the fiscal year ending* last March—a slight fall from the Y11bn profit registered in the previous fiscal year.

JAL says it had to face a "major increase" in uncontrollable costs in 1977 resulting, among other things, from a 100 per cent. increase in landing and navigation charges on its domestic Japanese flights. Domestic traffic, however, rose by 16.8 per cent. during the year (by 23 per cent. in the first half of the year alone) while international traffic was up 12.5 per cent.

JAL's international cargo traffic also rose by 7.5 per cent. during the year but this appears to have been due solely to a rise in incoming freight (up 19 per cent.). JAL gives no figures for freight out of Japan but says the "high Yen" (the Yen revaluation) had a "detrimental effect" on this.

JAL's financial history over the past four years, as set out in today's report, starts with a massive Y17.7bn loss in 1974 (when the airline was one of the biggest losers among all major international airlines). The airline reacted by embarking on a rationalisation programme spread over a three-year period which was concluded, slightly ahead of schedule, when the final Y5.5bn worth of accumulated losses were written off *towards the end of last year.* As part of the rationalisation process JAL suspended the recruitment of new employees for two years and delayed new aircraft purchases.

The completion of the programme leaves JAL financially sound but with a backlog of aircraft purchases to be undertaken over the next few years. The airline is expected to buy some seven or eight wide-bodied aircraft per year from 1980 to around 1985 at an annual cost of about $400m. Decisions have yet to be taken on how to finance these purchases.

JAL has no comment to make on the profit outlook for 1978-79 but the airline faces the major task of absorbing the high cost of operating through Narita airport (the new Tokyo international airport). The higher landing charges at Narita could cost JAL an extra $100m during the coming year and will not initially be covered by revenue increases, since Narita flight frequencies are frozen at the *same level as at the old Haneda* international airport. JAL says it will have to "work hard" to cover the Narita costs but gives no indication of its precise strategy.

JAL plans to start a fortnightly service to Sao Paulo in June (its first service to Latin America). A service is also being introduced to Abu Dhabi and flights to Baghdad will begin later this year.

Two more shipbuilders add to the gloom

By Yoko Shibata

TOKYO, May 31.

TWO MORE of Japan's major shipbuilders report serious profit setbacks. Following yesterday's disclosures of hefty *downturns at Ishikawajima-*Harima Heavy Industries (IHI), Hitachi Shipbuilding and Engineering and Mitsui Shipbuilding and Engineering, Mitsubishi Heavy Industries (MHI) and Kawasaki Heavy Industries announce reduced earnings for the fiscal year to last March.

The current worldwide glut of vessels, coupled with weakening international competitiveness caused by the surging yen value led to a tapering-off of new ship orders and order backlogs held by all five *shipbuilders.* Sharp price-cutting competition in order-taking and declining operating rates (around 30 per cent of capacity) weakened profitability more than expected.

The largest heavy machinery manufacturer, Mitsubishi, whose shipbuilding accounted for 34.2 per cent of business, *lifted current* profits 28 per cent to Y45.7bn but net profits fell 16.3 per cent to Y15bn ($67m) on sales of Y1.38 trillion (million million) ($6.2bn).

MHI's new ship orders declined by 27 per cent and order backlogs were cut by *46 per cent from the previous* year's level. As a result, MHI expects a deficit for the first time in the current six months of the fiscal year ending September.

Kawasaki Heavy Industry's brisk sales of plant machinery (up 34 per cent over fiscal *1976) did not help the group's* earnings. The poor performance in shipbuilding reduced current profits by 53 per cent to Y14bn and net profits by 26 per cent to Y9.7bn ($43m) on sales of Y566bn ($2.55bn), up negligibly by 5 per cent.

Even though HKI's setback *in new ship orders was* retained relatively small among other shipbuilders (down 8 per cent) and its order backlogs were, in sharp contrast, higher by 8 per cent, KHI expects a further profits decline for the current year due to shortage of profitable *ship orders.*

The fall in profits recorded yesterday by Ishikawajima-Harima Heavy Industries—recurring profits fell 33 per cent to Y35bn and net profits 51 per cent to Y5.7bn on sales of Y763.4bn, up 9.7 per cent—was particularly savage. Ship*building shrunk to only 27 per* cent of the company's business in fiscal 1977. New ship orders declined to one third of the previous year's level and order backlogs held by the company dropped by 38 per cent from the previous year.

Kawasaki Steel pays less after slide in earnings

BY OUR OWN CORRESPONDENT TOKYO, May 31.

KAWASAKI STEEL, one of Japan's big five integrated steel *producers, suffered a 90 per cent* fall in profits for the half year ending March 1978 compared with the same period of the previous year.

Income before the inclusion of extraordinary *items totalled* Y1.4bn ($6.3m), down from Y13.6bn in the six months ending March 1977. The 1978 profit figure includes securities sales without which Kawasaki would apparently have had to report a pre-tax loss.

Sales were down 11.1 per cent during the six months to Y461.6bn from Y519bn in the comparable period. Exports accounted for Y158bn (34.2 per cent) against Y184bn a year earlier. Net profits for the full year dropped by 12.2 per cent to Y6.8bn ($30.6m) on sales 5 per cent down at Y935bn.

A breakdown of exports sales figures reveals, however, that Kawasaki's overseas earnings from engineering consultancy services rose, while sales of actual steel declined. Service earnings amounted to Y14.2bn in the six months to March 1978 compared with earnings of Y3.6bn in the same six months of last year. Overseas know-how and consultancy sales are expected to represent a fast growing portion of Japanese steel company's export earnings during the next few years.

Kawasaki's crude steel production in the six months ending in March was down 13.5 per cent as the company strove to reduce excess inventories. (For the full *year, production was 8.7 per cent* down at 12.2m tonnes on a year earlier.) Production cuts increased the ratio of overhead and fixed costs to operating revenue and thus worsened the company's financial position during the six-month period.

Reflecting these and other factors, Kawasaki decided to cut its dividend from the traditional Y5 per share to Y3. The dividend had been held at Y5 every year since the early 1960s, with the exception of 1971 and 1972 when the Japanese steel industry was labouring under the impact of the first yen revaluation and domestic recession.

Although the half-year business term was *a grim one for* Kawasaki (and for other Japanese steel companies) prospects for the current term look distinctly better. Steel prices on the "spot" section of the Japanese domestic market are moving steadily up and price increases held over from last year on contract supplies to major domestic customers should be implemented soon. Steel prices in the U.S. (Japan's biggest overseas market) are also expected to turn up following moves by the Treasury Department to raise the trigger price.

Production appears to be moving slowly upwards in the integrated sector of the Japanese steel industry.

Government puts limit on Tisco dividend

By K. K. Sharma

NEW DELHI, May 31.

INDIA'S largest privately-owned steel plant, Tata Iron and Steel Company (Tisco) has been ordered by the Government to limit its dividend to just 12 per cent. The directive follows a decision to raise saleable steel prices by a hefty Rs175 ($20.7) a tonne on average.

The decision to raise prices has been taken by the Cabinet following a study of the steel industry, the bulk of which is in the public sector.

The 2m tonne Tisco plant is run by Tata although a substantial part of its equity is owned by public financing institutions. Tisco has been told that any additional profits must be used for modernisation of the plant.

Tisco has placed a proposal before the Government for doubling its plant's capacity to 4m tonnes, but this is unlikely to be accepted since the present policy is that any additional steel-building capacity must be in the public sector.

Japan Line loss near $100m.

BY OUR FINANCIAL STAFF

JAPAN LINE, the financially troubled tanker operator, has announced a Y21.41bn ($96.4m) loss for the financial year to March 31, compared with a net profit of Y772m in the previous year, and of Y2.6bn in 1975-76.

The company, which has been hit by the slump in the world shipping market, and had debts of some Y180bn at end-September last year, has in recent months reached agreement with lenders to postpone repayment of about Y30bn ($130m) in loans during the current fiscal year, which started on April 1.

The first year's plan to reconstruct Japan Line's finances is understood, as reported last week, to involve measures including the selling of assets and securities, and the reduction of operating expenses through pay*roll economies and negotiations* with labour unions.

It was announced on May 22 that—as part of management changes associated with the plan to salvage the company's finances, Mr. Takeshi Kitagawa, vice-president of Toyu Soda Kogyu, and a former executive with the Industrial Bank of Japan—Japan Line's principal creditor—had been selected as president, in place of Mr. Hishashi Matsunaga, who was appointed chairman.

The company reported a net loss close to Y5bn at the half-way stage.

* * *

THE Bank of Tokyo is asking the Finance Ministry to submit a Bill to parliament to double the amount of bonds it may issue, the bank said

The bank is at present allowed to float bonds up to an amount of Y1.34 trillion (million *million), representing five times* its capital plus reserves, but the outstanding balance of bonds it has already issued is nearing the ceiling, the bank added.

The bank's bond issues have been rising in recent years because of the need to finance increases in medium and long term lending in yen both at home and abroad.

Earlier, the bank reported that *its profits after tax for the half-*year ended March 31 last slipped from Y9.96bn to Y9.03bn ($39.8m). The interim dividend is maintained at Y2.50 a share. Reuter

* * *

TOKAI BANK, the Japanese City bank, *has announced an increase* of 7.7 per cent in net profits in the half-year to March 31, to Y8.3bn ($3.7m.) *from Y7.7bn in* the same period a year earlier, reports AP-DJ from Tokyo.

The bank forecasts that net profits will be maintained at the Y8.3bn level in the current half-year.

JAPANESE COMPANY RESULTS FOR YEAR TO MARCH 31

Company	Business	Net profit 1978 Ybn	Net profit 1977 Ybn	Sales 1978 Ybn	Sales 1977 Ybn
Kawasaki Steel	Steel	6.81	7.75	935.05	982.88
Nippon Kokan	Steel	5.21	10.91	1,200.00	1,240.00
Kawasaki HI	Heavy industry, shipbuilding	9.68	13.00	567.07	539.91
Sumitomo HI	Heavy machinery, shipbuilding	2.87	4.78	276.66	250.25
Nissan Shatai	Vehicle assembly	4.23	4.87	318.46	303.13
Toyo Seikan	Metal products	6.09	6.70	231.15	202.43
Sankyo Electric	Electrical	1.72	1.46	42.97	37.25
Takeda Chemical	Pharmaceuticals	7.22	7.45	335.09	303.58
Mitsui Toatsu	Chemicals	− 4.38	− 9.13	309.41	305.28
Sekisui Chemical	Chemicals	1.00	0.90	212.90	193.50
Mitsubishi Oil	Oil production	16.47	12.88	750.05	765.16
Nisshin Flour Milling	Foods	5.00	2.20	222.60	210.90
Nagase & Co.	Commerce	2.20	1.90	309.50	302.50
Japan Airlines	Airlines	8.14	11.02	435.37	394.95
Japan Line	Shipping	− 21.41	0.77	272.04	319.26

New investment guidelines likely

BY JAMES FORTH SYDNEY, May 31.

THE AUSTRALIAN Government is considering an easing of its present foreign investment guidelines.

The treasurer, Mr. Howard, said that the relaxation would be designed to remove some of *the disadvantages that might* exist for companies in which there was some local shareholding.

"There is a view that some companies in which there is a majority of overseas shareholding as well as a not insignificant local shareholding are disadvantaged under the existing foreign investment guidelines," Mr. Howard said.

The Government had developed some proposals which had been discussed with a representative group of companies and the matter was the subject of further consideration by the Government.

Mr. Howard said the purpose was to relax but not to undermine the essential features of the Government's *foreign investment policy.*

The basic proposal is that companies which have an Australian public shareholding should be granted Australian status when the level of local equity reaches 15 per cent. At present a company is classed as foreign if an individual foreign party holds 15 per cent or more, or if the aggregate foreign holdings total 40 per cent or more.

The proposed changes also envisage that companies which declare their intention to reach a 51 per cent local equity be granted Australian status once they reached a minimum Australian shareholding of 25 per cent. There would be no timetable on reaching the 51 per cent level, but the Australian status would be subject to annual review and could be withdrawn if it was felt that a genuine effort was not being made.

The proposal is supported by the life offices and sharebrokers. The Treasury and the Foreign Investment Review Board are reportedly opposed *to it as* are *several major* Australian companies, including CSR, Broken Hill Proprietary Company and Peko-Wallsend, which argue that it would lead to excessive overseas control of Australian resources and squeeze Australian companies out of the local capital market.

However, the proposed changes only apply to direct investment and joint venture agreements. The existing rules will still apply on company takeovers. If a company granted the conditional Australian status made a takeover bid, it would have to follow the current procedure and submit its bid to the Foreign Investment Review Board.

Jardine unit to expand UK insurance

By Anthony Rowley

HONG KONG, May 31.

LOMBARD INSURANCE, a wholly-owned subsidiary of Jardine, Matheson, the trading conglomerate, plans to extend its activities substantially in the London insurance market via its subsidiary Lombard Insurance Company (UK).

This was reported to Lombard shareholders by Mr. K. Newbigging, the chairman, in his annual report today. Lombard Insurance (UK) — formerly called Maltese Cross Insurance —had an issued capital increase (to £1.6m) last year and has been granted a Department of Trade licence to write all classes of general insurance. Previously it could write only marine, aviation and transport insurance.

Lombard has also set up a new underwriting agency in London — Dunedin Underwriting Agency — jointly with the National Insurance Company of New Zealand and has begun a direct participation in C. T. Bowring underwriting services. "Other new underwriting activities, both international and in the UK are under consideration," Mr. Newbigging stated.

Lombard as a whole made net after-tax profits of HK$11.0m (US$2.36m) in 1977, against HK$7.5m in 1976. The solvency margin reached 66 per cent, partly reflecting the capital increase in the UK subsidiary. Most countries and classes of the group's operations improved, including Australia, its biggest single market, although the marine hull account remains "a matter of serious concern."

Minerals & chemicals keep CSR steady

BY OUR OWN CORRESPONDENT SYDNEY, May 31.

CSR, the major sugar, mining, *building products and pastoral* group, lifted its profits by almost 7 per cent from A$41.0m to $A43.85m (U.S.$49m) in the year to March 31. The gain came entirely from CSR's minerals and chemicals division: both the sugar and the building and construction materials divisions *returned lower profits.* The result was also assisted by a lower tax provision.

The dividend is held at 15 cents a share and is covered by earnings of 34.9 cents a share, compared with 33.9 cents

Profits of the sugar division dipped from A$15.2m to A$14m, *the third successive decline since* the A$18.5m earned in 1975. Profit of the building and construction materials division fell from A$13.8m. to A$11.9m, but the minerals and chemical division lifted earnings from A$12m to A$17.9. The directors said that profits from coal were steady *but all other major activities* within the minerals and chemicals division reported increases.

Commenting on the result, the Board said that world sugar prices fell steeply, but that CSR was cushioned because a substantial proportion of raw sugar production was either exported *under contract or sold in the* home market at stable prices.

Activity in new dwellings and in industrial production in Australia had been slack but an improved contribution from insulation materials helped the building and contruction division.

Group revenue rose by 5.2 per cent. *from A$876m to A$922m.* The tax provision was down 15 per cent, from A$22.65m to A$19.3m, largely reflecting a A$7.4m investment allowance for expenditure on new plant and a A$5.2m rebate on dividends received.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9½pc 1989	96½	97
AMEV 8pc 1987	95½	96½
Australia 8½pc 1992	92½	[illegible]
Australian M. & S. 9½pc '92	96½	97½
Barclays Bank 8½pc 1992	93½	[illegible]
Bowater 9½pc 1992	97½	[illegible]
Can. N. Railway 8½pc 1986	93½	[illegible]
Credit National 8½pc 1986	96½	[illegible]
Denmark 8½pc 1984	[illegible]	[illegible]
ECS 9pc 1993	96½	[illegible]
ECS 8½pc 1997	94½	[illegible]
EIB 8½pc 1992	97½	[illegible]
EMI 9½pc 1989	97½	[illegible]
Ericsson 8½pc 1989	93½	[illegible]
Esso 8pc 1986 Nov.	100½	101
Gt. Lakes Paper 8½pc 1984	97½	[illegible]
Hamersley 9½pc 1992	99½	100
Hydro Quebec 9pc 1992	93	[illegible]
ICI 8½pc 1987	96½	97
ISE Canada 9½pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	94½	[illegible]
Massey Ferguson 9½pc '91	97	[illegible]
Michelin 9½pc 1988	101½	[illegible]
Midland Int. Fin. 8½pc '92	93½	[illegible]
National Coal Bd. 8pc 1987	93½	94½
National Wstmnstr. 9pc '86	99½	100
Newfoundland 9pc 1989	[illegible]	[illegible]
Nordic Inv. Bk. 8½pc 1988	[illegible]	[illegible]
Norges Kom. Bk. 8½pc 1992	96	[illegible]
Norpipe 8½pc 1988	96	[illegible]
Norsk Hydro 8½pc 1992	93½	94½
Oslo 9pc 1988	99	[illegible]
Ports Autonomes 9pc 1991	[illegible]	[illegible]
Prov. Quebec 9pc 1993	94	94½
Prov. Saskatchwn. 8½pc '86	97½	[illegible]
Reed International 9pc 1987	[illegible]	[illegible]
RHM 9pc 1992	92½	93½
Selection Trust 8½pc 1989	90	91
Skand. Enskilda 9pc 1991	97½	[illegible]
SKF 8pc 1987	91	91½
Sweden (K'dom) 8½pc 1987	94½	[illegible]
United Biscuits 9pc 1989	97½	[illegible]
Volvo 8pc 1987 March	93½	[illegible]

NOTES	Bid	Offer
Australia 7½pc 1984	94	94½
Bell Canada 7½pc 1987	94½	[illegible]
Br. Columbia Hyd. 7½pc '85	92½	[illegible]
Can. Pac. 8½pc 1984	97½	[illegible]
Dow Chemical 8pc 1986	97½	[illegible]
ECS 7½pc 1992	93½	[illegible]
ECS 8½pc 1989	94½	[illegible]
EEC 7½pc 1982	93½	[illegible]
EEC 7½pc 1984	94½	[illegible]
Enso Gutzeit 8½pc 1984	96½	97
Gotaverken 7½pc 1982	[illegible]	[illegible]
Kockums 8pc 1983	97	[illegible]
Michelin 8½pc 1983	99	[illegible]
Montreal Urban 8½pc 1981	99½	100
New Brunswick 8pc 1984	94	[illegible]
New Bruns. Prov. 8½pc '83	99½	[illegible]
New Zealand 8½pc 1986	96½	[illegible]
Nordic Inv. Bk. 7½pc 1984	94½	95
Norsk Hydro 7½pc 1982	[illegible]	[illegible]
Norway 7½pc 1982	94½	[illegible]
Ontario Hydro 8pc 1987	93½	94½
Singer 8½pc 1982	99½	100
S. of Scot. Elec. 8½pc 1981	98½	[illegible]
Sweden (K'dom) 7½pc 1982	95½	[illegible]
Swedish State Co. 7½pc '82	96	[illegible]
Telmex 9½pc 1984	98½	99
Tenneco 7½pc 1987 May	92½	[illegible]
Volkswagen 7½pc 1987	93½	94

STERLING BONDS	Bid	Offer
Allied Breweries 10½pc '90	87½	[illegible]
Citicorp 10pc 1993	89½	[illegible]
Courtaulds 9½pc 1989	87½	[illegible]
ECS 9½pc 1989	93½	94½
EIB 9½pc 1988	93½	94½
EIB 9½pc 1992	92½	94
Finance for Ind. 9½pc 1987	89½	91½
Finance for Ind. 10pc 1989	90½	91½
Fisons 10½pc 1987	97½	91½
Gestetner 11pc 1988	91½	92½
INA 10pc 1988	89	91
Rowntree 10½pc 1988	[illegible]	[illegible]
Sears 10½pc 1988	88½	[illegible]
Total Oil 9½pc 1984	91	92

DM BONDS	Bid	Offer
Asian Dev. Bank 5½pc 1988	96½	97
BNDE 6½pc 1986	96½	[illegible]
Canada 4½pc 1983	97½	[illegible]
Den Norske Id. Bk. 6pc '90	95½	99½
Deutsche Bank 4½pc 1983	97½	[illegible]
ECS 5½pc 1990	[illegible]	[illegible]
EIB 5½pc 1990	[illegible]	[illegible]
Elf Aquitaine [illegible]	[illegible]	[illegible]
Euratom [illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]
Forsmarks [illegible]	[illegible]	[illegible]
Mexico 6pc 1985	[illegible]	[illegible]
Norcem [illegible]	[illegible]	[illegible]
Norway 4½pc 1983	[illegible]	[illegible]
Norway 4pc 1983	[illegible]	[illegible]
PK Banken [illegible]	[illegible]	[illegible]
Prov. Quebec 6pc 1990	[illegible]	[illegible]
Rautaruukki [illegible]	[illegible]	[illegible]
Spain 6pc 1988	[illegible]	[illegible]
Trondheim [illegible]	[illegible]	[illegible]
TVO Power Co. 6pc 1988	[illegible]	[illegible]
Venezuela [illegible]	[illegible]	[illegible]
World Bank 5½pc 1990	[illegible]	[illegible]

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 8½pc	99½	100½
BFCE 1984 8½pc	99½	100½
BNP 1983 8 11/16pc	100½	100½
CCF 1983 8½pc	99½	99½
CGMF 1984 7½pc	99½	100½
Creditanstalt 1984 8½pc	99½	100
Credit Lyonnais 1982 8pc	100	100½
DG Bank 1983 7 13/16pc	100½	100½
GZB 1981 8 1/16pc	100½	101
Intl. Westminster 1984 8pc	99½	[illegible]
Lloyds 1983 7½pc	100½	100½
LTCB 1983 8pc	99½	100
Midland 1982 8pc	100½	101½
Midland 1987 8 9/16pc	99½	[illegible]
OKB 1983 7½pc	100	100
SNCF 1985 8½pc	99½	99
Std. and Chtrd. '84 7 11/16pc	99½	100½
Wms. and Glyn's '84 8 11/16pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4½pc '87	87	[illegible]
Ashland 5pc 1988	93½	[illegible]
Babcock & Wilcox 6½pc '97	102½	[illegible]
Beatrice Foods 4½pc 1992	96½	[illegible]
Beatrice Foods 4½pc 1992	105	107
Beecham 6½pc 1992	96½	[illegible]
Borden 5pc 1992	101	102½
Broadway Hale 4½pc 1987	77	[illegible]
Carnation 4pc 1987	76½	79
Chevron 5pc 1988	130½	132
Dart 4½pc 1987	80	[illegible]
Eastman Kodak 4½pc 1988	84	[illegible]
Economic Labs. 4½pc 1987	77½	[illegible]
Firestone 5pc 1988	82½	[illegible]
Ford 5pc 1988	87	[illegible]
General Electric 4½pc 1987	84	[illegible]
Gillette 4½pc 1987	76½	78
Gould 5pc 1987	118	[illegible]
Gulf and Western 5pc 1988	87	[illegible]
Harris 5pc 1992	171	[illegible]
Honeywell 6pc 1986	88	[illegible]
ICI 6½pc 1992	89½	[illegible]
INA 6pc 1997	94	[illegible]
Inchcape 6½pc 1992	114	[illegible]
ITT 4½pc 1987	81	[illegible]
Jusco 6pc 1992	113½	[illegible]
Komatsu 7½pc 1990	128	[illegible]
J. Ray McDermott 4½pc '87	179	181
Matsushita 6½pc 1990	182½	[illegible]
Mitsui 7½pc 1990	130½	[illegible]

Source: Kidder, Peabody Securities.

LEGAL NOTICES

ECKEL LIMITED

At an Extraordinary General Meeting of the Company held at 155, Fawcett Street, Cambridge, Massachusetts, U.S.A., on 14th April, 1978, at 2 p.m. the following resolution was duly passed as a Special Resolution:

"That the Company be wound up voluntarily with effect from 18th May, 1978, and that Terence Frank Lees Webber, of 1, Puddle Dock, Blackfriars, London EC4V 3PD, be and he is hereby appointed liquidator for the purposes of the winding-up."

OLIVER C. ECKEL, Director.

Name of Company: ECKEL LIMITED

Nature of business: ENGINEERING SERVICES

Address of Registered office: 52/54, High Holborn, London WC1V 6RU.

Liquidator's name and address: Terence Frank Lees Webber, 1, Puddle Dock, Blackfriars, London EC4V 3PD

Date of appointment: 18th May, 1978

By whom appointed: Members

IN THE MATTER OF GLENTON CONTINENTAL TOURS LIMITED and IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of June, 1978, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned RICHARD EAGLESFIELD FLOYD, Chartered Accountant, of 33 Clifford's Inn, Fetter Lane, London EC4A 1AH, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 22nd day of May, 1978.

R. E. FLOYD, Liquidator.

NOTE.—This notice is purely formal. All known creditors have been or will be paid in full. Accounts with GLENTON TOURS LIMITED are unaffected.

No. 001550 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of B.P.S. (BUILDING PROJECT SERVICES) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 15th day of May 1978, presented to the said Court by SANKEY SOUTHERN LIMITED whose registered office is situate at: 50.57, Bakers Lane, Lichfield, Staffs., Builders Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 19th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
3/3, Hind Court,
Fleet Street,
London EC4A 3DS.
Ref: F/TTH. Tel: 01-353 8311.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of June 1978.

No. 001538 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ANGMOSS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 12th day of May 1978, presented to the said Court by SPILLERS-FRENCH MILLING LIMITED whose registered office is at Old Change House, Cannon Street, London, E.C.4, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice Strand, London WC2A 2LL, on the 12th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

DAVID GOBLE & CO.,
29 Dorset Square,
London, N.W.1.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 9th day of June 1978.

LAND AND NEW DEVELOPMENTS LIMITED

(In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Sections 290 and 341(1) of the Companies Act, 1948) that a final General Meeting of the members of the above named Company will be held at 1, Puddle Dock, Blackfriars, London EC4V 3PD, at 10 a.m. on 4th July, 1978, for the purpose of having an account laid before them showing the manner in which the winding-up has been conducted and the property of the Company disposed of, and of hearing any explanation that may be given by the Liquidator, and also of determining by extraordinary resolution the manner in which the books, accounts and documents of the Company and of the Liquidator thereof shall be disposed of.

W. M. T. FOWLE, Liquidator.

Dated 23rd May, 1978.

No. 001815 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CHASEWORTH LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 19th day of May 1978 presented to the said Court by SANKEY BUILDING SUPPLIES LIMITED of Station House, Harrow Road, Wembley, Middlesex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 19th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

B. M. WALKER & CO.,
Swaylands House,
High Street,
Brasted,
Kent.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of June 1978.

No. 001859 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of COSTELLO PRINTERS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 22nd day of May 1978 presented to the said Court by DANE & COMPANY LIMITED whose registered office is situate at Two Elms, Beckenham Place Park, Beckenham, Kent, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 26th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

Wm. F. PRIOR & CO.,
Temple Bar House,
23/28 Fleet Street,
London EC4Y 1AA.
Ref: PO/7793.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or the solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of June 1978.

No. 001628 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of NICK EZIEFULA LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 15th day of May 1978, presented to the said Court by JOSEPH WILFRID WILLIAM HUNTRODS trading as MIDLAND COMMERCIAL SERVICES of 8, College Street, Northampton, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 26th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

SMEATH MANN & CO.,
of 28 Gold Street,
Northampton.
Ref: DN.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person of firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of June 1978.

No. 001591 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MOHIAR LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 17th day of May 1978, presented to the said Court by THE MAYOR ALDERMEN AND BURGESSES of the London Borough of Haringey of the Civic Centre, High Road, Wood Green, London N.22, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 19th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

T. P. NEVILLE, Chief Solicitor,
Civic Centre,
High Road,
Wood Green, N.22.
Solicitor for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person of firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of June 1978.

BOND DRAWINGS

PORTO ALEGRE (CITY OF) STATE OF RIO GRANDE DO SUL, 5% (NOW 1⅝%) GOLD BONDS: PLAN "A"

On the 8th May 1978 the Plan "A" Bonds listed below were drawn for redemption in the presence of a Notary Public. The Drawn Bonds should be presented to the Paying Agent named below, from whom listing forms can be obtained, for redemption at par on the 20th June 1978 with coupons numbered 139 and subsequent attached. Bonds will be received on any business day and must be left three clear days for examination. Redemption has also been satisfied by purchase in the market under the Sinking Fund arrangement.

BONDS OF £100 NOMINAL

90	793	2409	4282
94	794	3518	4585
364	1135	3519	4586
365	1211	3520	4734
718	1651	4281	4737

BARCLAYS BANK LIMITED
Securities Services Department,
54, Lombard Street, London EC3P 3AH

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output, engineering orders, retail sales volume (1970=100); retail sales value (1971=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1977							
1st qtr.	103.2	105.2	109	103.3	216.4	1,330	na
2nd qtr.	101.9	103.0	106	102.5	222.0	1,330	163
3rd qtr.	102.7	103.7	106	104.3	234.2	1,418	151
4th qtr.	101.9	102.8	107	104.4	239.4	1,431	157
Dec.	102.5	103.6	106	106.9	246.0	1,428	163
1978							
1st qtr.	103.6	103.8		106.3	246.0	1,409	188
Jan.	103.2	103.4	106	104.9	241.0	1,419	180
Feb.	103.9	103.9	117	106.8	246.5	1,409	187
March	103.7	104.5		107.0	249.8	1,400	196
April				106.5		1,387	204
May						1,366	210

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1970=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1977							
1st qtr.	115.8	99.4	106.1	100.4	83.9	104.4	19.9
2nd qtr.	113.4	97.6	105.2	98.8	80.5	100.2	25.1
3rd qtr.	115.2	97.6	104.9	99.3	83.3	100.9	25.4
4th qtr.	116.7	97.2	101.4	98.8	74.8	99.4	20.7
Nov.	116.0	97.0	101.0	98.0	70.0	97.0	21.2
Dec.	118.0	97.0	102.0	99.0	79.0	101.0	16.1
1978							
1st qtr.	116.4	98.8	105.1	100.2	76.9	100.2	17.6
Jan.	116.0	98.0	104.0	100.0	76.0	99.0	17.5
Feb.	117.0	99.0	106.0	100.0	78.0	100.0	15.3
March	117.0	99.0	105.0	101.0	77.0	101.0	20.0

EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance; oil balance; terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1977							
1st qtr.	115.7	109.1	−947	−505	−800	99.0	10.5
2nd qtr.	118.0	109.8	−764	−364	−745	100.3	14.9
3rd qtr.	124.1	106.4	+54	+483	−602	101.0	13.4
4th qtr.	117.9	102.6	+45	+351	−657	102.4	20.39
Nov.	115.3	98.4	+68	+170	−154	102.4	20.39
Dec.	118.8	108.1	−76	+26	−275	103.1	20.56
1978							
1st qtr.	120.5	113.6	−520	−220	−646	104.9	20.63
Jan.	112.3	114.3	−332	−232	−236	105.4	20.87
Feb.	127.9	110.1	+82	+182	−202	104.8	20.7
March	121.4	116.4	−270	−170	−208	104.7	20.32
April	126.3	102.6	+235	+336	−115	104.0	17.04

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1972							
1st qtr.	1.3	−8.8	5.3	−74	492	1,008	10½
2nd qtr.	24.8	14.9	5.5	+769	1,290	1,047	8
3rd qtr.	28.0	10.4	20.3	+365	1,084	1,149	7
4th qtr.	25.1	12.6	8.4	+693	1,565	1,189	7
Nov.	37.9	15.9	6.1	+355	554	401	7
Dec.	23.2	12.6	8.4	+161	421	410	7
1978							
1st qtr.	25.1	24.2	17.5	+1,819	1,049	1,260	6½
Jan.	23.2	17.3	13.4	258	388	429	6½
Feb.	26.8	25.5	17.9	963	353	418	6½
March	25.1	24.2	17.5	598	308	413	6½
April	19.1	24.7	12.6	1,248	335		7

INFLATION—Indices of earnings (Jan. 1976=100), basic materials and fuels, wholesale prices of manufactured products (1970=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (Dec. 1971=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1977							
1st qtr.	112.5	341.5	248.0	174.1	184.7	276.4	61.8
2nd qtr.	114.5	347.7	259.2	181.9	191.1	250.0	61.6
3rd qtr.	116.1	340.5	267.7	184.7	192.1	239.9	61.8
4th qtr.	119.9	330.6	272.1	187.4	193.3	234.20	63.3
Nov.	120.1	329.9	272.0	187.4	192.9	238.34	63.6
Dec.	121.7	328.0	273.3	188.4	194.8	234.20	63.8
1978							
1st qtr.	123.0	326.7	278.9	190.6	197.3	238.61	64.6
Jan.	121.5	324.9	277.1	189.5	196.1	226.41	66.0
Feb.	122.7	324.2	279.2	190.6	197.3	224.86	66.0
March	124.8	330.9	280.5	191.8	198.4	238.61	61.8
April		337.2	282.6	194.6	201.6	238.94	61.4

* Not seasonally adjusted.

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(b) Toy manufacturing or importing.
(c) Wholesale hardware distribution.
(d) Machinery.

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CdG COWAN DE GROOT LIMITED,
11 John Street,
London WC1

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Early 7 rise despite adverse news

BY OUR WALL STREET CORRESPONDENT

NEW YORK, May 31.

SHRUGGING ASIDE a report that inflation increased at a double digit annual rate in April, Wall Street moved steadily forward in active early trading today.

The Dow Jones Industrial Average was 6.84 higher at 841.04 at 1 pm, while the NYSE All Common Index rose 32 cents to $54.62 and gains outpaced declines by a near two-to-one ratio. Trading volume was up sharply to 19.89m shares from yesterday's 1pm figure of 13.72m.

Closing prices and market reports were not available for this edition.

The U.S. Labour Department said the Consumer Price index rose 0.9 per cent in April after a gain of 0.8 per cent in March, which put the increase for the last three months at a 10 per cent annual rate.

However, analysts said the pace of inflation was not as bad as statements by Administration officials last week had led Wall Street to believe.

The market also faced other bad news this morning. The dollar declined on the CPI figures, while sources said the U.S. is trimming its forecast of U.S. real growth to between 4 and 4½ per cent from the end of 1977 to the end of 1979 from 4½ to 5 per cent estimated earlier.

Conference Board economist Albert Sommers stated that he expects a U.S. Prime rate of 10 per cent by the end of the year, compared with the current 8¾ per cent.

There was evidence of heavy institutional activity today, as blocks of 100,000 shares or more were traded in Bethlehem Steel, Central Telephone and Utilities, General Motors and Southern California Edison.

Hecla Mining fell 1¼ to $6⅞. Superior Oil has dropped plans to join Hecla in buying Lakeshore Copper Mine in Arizona and to buy a substantial stock interest in Hecla.

Bally lost 1⅜ to $32¼, although it said that it has no reason to believe the U.S. Justice Department's preliminary investigation of the slot machine industry will amount to anything.

THE AMERICAN SE Market Value Index improved 0.40 to 144.88 at the noon calculation on volume of 1.68m shares (1.48m).

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Arlen Realty	427,800	3⅞	—
Beneficl Consol.	410,000	41	+¼
Sambo	255,400	27⅞	+⅛
Bally	246,500	33⅝	−1¼
J. Ray McDermott	225,300	30⅞	+⅞
Reliance	204,200	32⅞	+⅛
Cleveland El.	149,200	19⅞	+⅛
Telex	141,500	6⅞	+⅜
Teledyne	125,800	105½	−2½
Boeing	116,000	45½	+½

OTHER MARKETS

TOKYO—Stocks made a bright showing in active trading, helped by the lifting of 10 per cent cash requirements for margin trading on most shares. The Nikkei-Dow Jones Average rose 31.26 to 5,469.77 and the Tokyo SE index added 2.87 at 409.94, while volume expanded to 330m shares.

Despite the yen strength against the dollar in Tokyo, export-orientated issues advanced, followed by Constructions, Foods, Oils and Pharmaceuticals.

Hitachi moved ahead Y9 to Y252, Toshiba Y5 to Y148, TDK Electronic Y20 to Y2,020, Pioneer Electronic also Y20 to Y1,790, Matsushita Electric Y10 to Y728 and Toyota Motor Y16 to Y981, while Sekisui Prefab added Y17 at Y588.

GERMANY—Further widespread gains occurred following good institutional buying, lifting the Commerzbank index 3.4 more to 782.8.

Motors were particularly strong, Daimler advancing DM 6.80, BMW DM 4.50 and Volkswagen DM 3.50. Karstadt rose DM 6 in Stores, while Steels had Mannesmann up DM 2.60 and Electricals had Siemens DM 2.40 firmer.

Federal Government 6 per cent Loans were in good demand, while Public Authority Bonds, after recent weakness, were up to DM 1.40 harder. The Regulating Authorities sold a nominal DM 78.7m of paper, compared with purchases of DM 3m the previous day. Mark Foreign Loans were also firmer.

PARIS—The recent advance in share prices faltered yesterday and the market finished with a mixed appearance after fairly active trading.

Brokers commented that the raising of the Call Money rate to 8 per cent from 7⅞ prompted some investors to take profits.

Banks, Foods, Hotels and Electricals were generally lower, but Portfolios, Publishings, Metals, Oils and Chemicals were firmer-inclined.

Jacques Borel were slightly easier of FFr 122.8 after announcing reduced parent company net sales in the first quarter.

Locafrance, Financiere de Suez, Saunier-Duval, Redoute, CEM, Elf-Aquitaine, Rhone-Poulenc, UTA, Imetal and BIC were significantly easier, but Cie du Nord, Olida, Kali, Poclain, Hachette, Galeries Lafayette, CFR and Lefebvre were notably higher.

AUSTRALIA — Speculative favourites sustained a sharp reaction and leading Minings also relinquished some ground as the recent heavy buying abated yesterday.

Metals Exploration retreated 11 cents to 35 cents, Mining Houses 15 cents to 32 cents, Northern Mining 20 cents to A$1.60 and Renison Tin 30 cents to A$8.20, while Bougainville Copper, A$1.35, CRA, $A2.60, MIM, $A2.25, and Spargos Exploration, 38 cents, were each about 9 cents down.

Central Pacific Petroleum came back 80 cents to $A8.20 while the other Oil Shale issue, Southern Pacific, receded 40 cents to A$2.70.

Uraniums turned back from a strong start, Pancontinental ending unaltered at A$14.60, after touching $A15.

Industrials showed no clear trend, with BHP giving up 8 cents at A$7.00 but Costain Australia improving 10 cents to A$1.60 and David Jones 6 cents to A$1.36.

CANADA—A further improvement in stock prices took place yesterday morning in active dealings, the Toronto Composite Index adding 2.7 at 1,125.9 at midday. Golds advanced afresh by 10.1 to 1,413.1, while Banks gained 0.55 to 271.63, Utilities 0.33 to 173.46 and Metals and Minerals 3.6 to 989.9.

Simcoe Erie were up ½ at C$6¾ on higher first-quarter earnings.

HONG KONG—Market continued in firm vein in moderate trading, the Hang Seng index gaining 3.26 more to a year's high of 472.57.

Among the leaders, Hutchison Whampoa put on 5 cents to HK$4.625 and Hong Kong Land 10 cents to HK$7.90, although Hong Kong Bank, Swire Pacific and Wheelock Marden were unchanged, and Jardine Matheson eased 10 cents to HK$13.10.

Elsewhere, Hutchison Properties rose HK$1.20 to HK$10.50, City and Urban 4 cents to HK$1.23, Hong Kong Hotel 40 cents to HK$15.20 and Hong Kong Telephone 25 cents to HK$31.25.

JOHANNESBURG—Market was closed for Republic Day.

AMSTERDAM—Shares moved indecisively, failing to maintain the general upward momentum of recent sessions.

Among Dutch Internationals, Philips put on 0.80 more to Fl 27.20 on heavy demand, but Royal Dutch came back 1.10 to Fl 128.40.

Indices

NEW YORK —DOW JONES

	May 30	May 26	May 25	May 24	May 23	May 22	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	834.20	831.69	836.41	837.82	845.23	855.42	858.37 (17/5)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.14	88.18	88.23	88.18	88.31	88.51	90.36 (4/1)	88.14 (30/5)	—	—
Transport	224.09	223.70	224.14	224.88	227.80	231.50	231.80 (22/5)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.87	104.47	104.38	104.05	104.56	104.87	110.98 (3/1)	102.84 (22/2)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	21,040	21,410	26,410	31,450	33,250	26,700	—	—	—	—

*Basis of index changed from August 28

Ind. div. yield %	May 26	May 19	May 12	Year ago (approx.)
	5.59	5.48	5.51	4.87

STANDARD AND POORS

	May 30	May 26	May 25	May 24	May 23	May 22	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
‡Industrials	107.06	106.76	107.05	107.56	108.47	109.70	110.51 (17/5)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	96.86	96.58	96.80	97.08	98.05	99.09	99.60 (17/5)	86.90 (6/3)	125.15 (11/1/73)	4.40 (1/6/32)

	May 17	May 10	May 3	Year ago (approx.)
Ind. div. yield %	4.85	5.04	5.02	4.54
Ind. P/E Ratio	9.55	9.16	9.16	10.57
Long Gov't. Bond yield	8.42	8.45	8.39	7.72

N.Y.S.E. ALL COMMON

May 30	May 26	May 25	May 24	1978 High	1978 Low
54.50	54.14	54.24	54.56	55.58 (17/5)	48.37 (6/3)

Rises and Falls	May 30	May 26	May 25
Issues traded	1,832	1,870	1,906
Rises	748	588	648
Falls	631	829	806
Unchanged	453	453	452
New Highs	41	39	10
New Lows	39	62	62

		May 30	May 29	May 26	May 25	1978 High	1978 Low
MONTREAL	Industrial	180.96	180.74	180.88	181.71	183.61 (23/5)	162.00 (16/2)
	Combined	190.87	190.01	189.97	190.66	192.88 (26/5)	170.82 (30/1)
TORONTO	Composite	1123.2	1122.0	1122.5	1126.4	1138.5 (25/5)	998.2 (30/1)
JOHANNESBURG	Gold	212.4	210.6	210.7	211.5	218.7 (1/2)	185.0 (20/4)
	Industrials	225.0	225.7	224.8	224.8	226.0 (30/5)	194.8 (15/3)

	May 31	Previous	1978 High	1978 Low
Australia (*)	498.02	501.05	501.05 (30/5)	441.19 (1/3)
Belgium (†)	95.77	96.06	101.16 (8/5)	90.45 (25/3)
Denmark (**)	95.48	95.11	96.12 (4/1)	94.00 (6/2)
France (††)	71.1	71.2	71.2 (30/5)	47.0 (6/2)
Germany (‡‡)	782.8	777.4	782.8 (30/5)	769.4 (17/5)
Holland (§§)	86.2	85.1	86.2 (31/5)	79.0 (4/4)
Hong Kong (¶¶)	472.57	469.31	472.57 (31/5)	383.44 (13/1)
Italy (¶¶)	63.01	62.79	64.25 (22/5)	56.82 (16/1)
Japan (a)	409.94	407.07	416.11 (14/1)	364.04 (4/01)
Singapore (b)	317.64	316.40	317.54 (31/5)	262.0 (1/2)

	May 31	Previous	1978 High	1978 Low
Spain (d)	105.16	103.41	110.76 (9/3)	87.66 (17/5)
Sweden (e)	369.32	369.85	397.95 (3/5)	325.14 (6/1)
Switzerl'd (f)	288.1	290.8	323.7 (14/2)	278.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975) † Excluding bonds ‡ 400 Industrials § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord (||) Belgian SE 31/12/63 (**) Copenhagen SE 1/1/73 (††) Paris Bourse 1961 (‡‡) Commerzbank Dec., 1953 (§§) Amsterdam Industrial 1970 (¶¶) Hang Seng Bank 31/7/64. (|||) Milan 2/1/73 (a) Tokyo New SE 4/1/68. (b) Straits Times 1966 (c) Closed (d) Madrid SE 30/12/77 (e) Stockholm Industrial 1/1/58 (f) Swiss Bank Corp. (u) Unavailable

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. ♦ DM50 denom. unless otherwise stated; yields based on net dividends plus tax. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ◆ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. § Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. ↑ Interim since increased.

Dollar very weak

The U.S. dollar continued to lose ground in the foreign exchange market yesterday, falling below SwFr 1.90 against the Swiss franc and also falling quite sharply in the afternoon in terms of the Japanese yen, German D-mark and sterling.

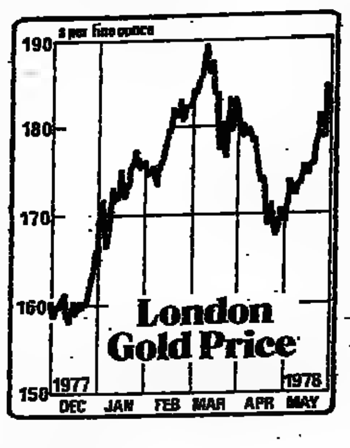
Disappointment at the U.S. trade deficit announced last week and concern about the rate of inflation has put increasing pressure on the dollar, but it appears that this has not yet produced any intervention by central banks. The dollar fell to SwFr 1.8895, before closing at SwFr 1.8930, and to Y221.10 against the yen, before closing at Y221.40. The firmest level recorded by the D-mark was DM2.0885, and it finished at DM 2.0910, compared with DM 2.11 on Tuesday. The Swiss franc closed at SwFr 1.9240 on Tuesday, and the Japanese yen finished at Y222.95 on that day.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, widened to 5.62 per cent from 5.11 per cent on Monday.

Sterling also benefited from the weakness of the dollar, rising to $1.8325-1.8335 at the close in London, a rise of 1.45 cents on the day. The pound opened at $1.8220-1.8230, and touched a low point of $1.8195-1.8205. It rose above the $1.83 level in the afternoon when the New York market opened, and continued to rise after the London market closed.

Sterling's trade-weighted index, on Bank of England figures, was unchanged throughout at 61.4.

Gold remained firm, rising $1½ to $184-184¾. The weakness of the dollar was probably behind the demand for the metal, which touched a best level of $184¾-185¼ in the afternoon.



CURRENCY RATES

	Special Drawing Rights May 30	European Unit of Account May 29
Sterling	0.670253	0.670889
U.S. dollar	1.21738	1.21922
Canadian	1.36164	1.36231
Austria sch	18.4737	18.5351
Belgian franc	40.1979	40.2758
Danish krone	6.92081	6.93239
Deutschem'k	2.57025	2.57717
Dutch guilder	2.75250	2.75785
French franc	5.62977	5.65795
Italian lira	1057.60	1060.57
Japanese yen	272.695	274.393
Norway krone	6.63289	6.65448
Spain peseta	98.1403	98.5848
Swedish krone	[illegible]	5.69444
Swiss franc	2.34650	2.36366

EXCHANGE CROSS-RATES

May 31	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.0920 35	46.50 60	6.391-401	3.82-83	35.40-50	110.40 60
New York*	47.23-28	—	21.54-67	[illegible]	1.8160-170	44.17-19	51.55-60
Paris	213.00-60	4.4601 613	—	14.004 035	8.392-12	204.65 6.05	232.00 3.05
Brussels	15.63-68	32.80 32.85	7.11 14	—	59.81 59.96	14.58 62	17.28 31
London	3.83 84	1.825-8335	8.41¼ 42¼	59.85 95	—	4.11-12	3.46¼-47¼
Amsterdam	107.135 235	2.2497 522	46.21-66	6.8475-8.25	4.1015-1065	—	118.22 27
Zurich	90.414-574	.8 1 893	41.155-242	5.7684-7784	3.4538-6529	34.228-433	—

U.S. $ in Toronto = 111.95-111.98 Canadian cents. Canadian $ in New York = 89.37-40 cents, U.S. $ in Milan 865.90-6.20. Sterling in Milan 1,579.26-1,580.26. *Rates for May 29.

EURO-CURRENCY INTEREST RATES

May 31	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
†Short term	9½-10	6¾-7¾	7¼-7½	4⅝-4⅞	½-¾	3⅝-3⅞
7 days' notice	9½-10	6¾-7¾	7⅜-7⅝	4⅝-4⅞	⅜-½	3⅝-3⅞
Month	10-10⅜	7⅝-8	7⅝-7⅝	4¾-5	1-1⅛	3⅝-3⅞
Three months	10½-10⅞	7⅞-8¼	7⅞-8⅛	4¾-5	[illegible]	3⅝-3⅞
Six months	11-11⅜	8⅛-8⅝	8¼-8½	5-5¼	1½-1⅝	[illegible]
One Year	11⅝-12	8⅝-8¾	8½-8¾	5½-5¾	[illegible]	3⅝-3⅞

Euro-French deposit rates: two-day 9¼-9¾ per cent; seven-day 8¾-9 per cent; one-month 8[7/16]-9¼ per cent; three-month 9[5/16]-9[9/16] per cent; six-month 9¾-10 per cent; one-year 10¼-10¾ per cent.

Long-term Eurodollar deposits, two years 8½-8¾ per cent; three years 8[13/16]-8[15/16] per cent; four years 8¾-9 per cent; five years 8[15/16]-9[1/16] per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.60-7.70 per cent; three-months 7.85-7.95 per cent; six-month 8.20-8.30 per cent; one-year 8.45-8.55 per cent.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	May 31	May 30
Gold Bullion (a fine ounce)		
Close	$184-184¾	$182½-183¼
Opening	$184¼-185	$181-181½
Morning fix'g	$184.90 (£101.465)	$181.70 (£99.961)
Aftern'n fix'g	$184.15 (£100.845)	$182.30 (£100.330)
Gold Coin domestically		
Krugerrand	$191½-193½ (£104½-105½)	$187½-189½ (£103-104)
N'w Sov'rgns	$54½-56½ (£29¾-30¾)	$52½-54½ (£29-30)
Old Sov'rgns	$56½-58¼ (£30¾-31¾)	$55¾-57¾ (£30¾-31¾)
Gold Coins (internat'lly)		
Krugerrand	$189½-191½ (£103½-104½)	$187½-189½ (£103-104)
New Sov'rgns	$52½-54½ (£28½-29½)	$52½-54½ (£29-30)
Old Sov'rgns	$56¼-58¼ (£30¾-31¾)	$55¾-57¾ (£30¾-31¾)
$20 Eagles	$277¾-280¾	$277¼-280¼

FOREIGN EXCHANGES

May 31	Bank Rate %	Market Rates Day's spread	Market Rates Close
New York	7	1.8195-1.8350	1.8325-1.8335
Montreal	8½	2.0580-2.0589	2.0585-2.0575
Amsterdam	4	4.09¼-4.12¼	4.11-4.12
Brussels	5½	59.65-60.15	59.85-59.95
Copenhagen	8	10.30½-10.35½	10.34-10.35
Frankfurt	3	3.82-3.85	3.83-3.84
Lisbon	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

† Rates given for convertible francs. Financial franc [illegible]

OTHER MARKETS

[illegible]

Rate given for Argentina is a free rate.

FORWARD RATES

[illegible]

Six-month forward dollar [illegible]. 12-month [illegible].

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.60 to £—106¼% (108%)
Effective rate (1.8330) 45¾% (45¼%)

NEW YORK

Stock	May 30	May 26
Abbott Labs	30⅞	30⅞
Addressograph	22½	22
[illegible]	[illegible]	[illegible]

CANADA

[illegible]

GERMANY ♦

[illegible]

TOKYO ¶

May 31	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	337	+8	14	2.1
Canon	476	+6	12	1.3
Casio	690	+3	25	2.1
Chinon	335	−5	20	3.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

AUSTRALIA

May 31	Aust. $	+ or −
ACMIL (25 cents)	0.70	
Acrow Australia	0.81	
Ampol Mng. Industries $1	2.25	−0.05
[illegible]	[illegible]	[illegible]

BRAZIL

[illegible]

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

OSLO

[illegible]

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand U.S.$0.73 (Discount of 36.5%)

PARIS

[illegible]

SWITZERLAND ◆

[illegible]

COPENHAGEN ♣

[illegible]

STOCKHOLM

[illegible]

VIENNA

[illegible]

MILAN

[illegible]

SPAIN ♥

[illegible]

FARMING AND RAW MATERIALS

Potato pest found in London

By Our Own Correspondent

A COLORADO beetle, the first sighted in Britain this year, was captured and killed in London at the weekend, the Ministry of Agriculture reported yesterday.

The beetle was found in a load of fruit and vegetables bought at Soho's Berwick Street market. It was killed with a household insect spray in Hampstead. Ministry officials are trying to discover from which country the beetle came.

The insect, which severely reduces potato yields, has been wiped out in Britain and strict checks are made on vegetable imports to prevent its re-introduction here.

Last year the Dutch Government agreed to tighten its controls after a shipload of grain landed in Britain from Holland was found to be heavily infested with the beetle.

EEC lawsuit blocks weekly sugar tender

By Our Own Correspondent

A GERMAN complaint before the European Court of Justice caused the cancellation of the weekly Common Market sugar export tender in Brussels yesterday. As a result no licences were issued for exports of white sugar. In recent weeks about 50,000 tonnes have been approved weekly by the sugar management committee.

Hans Otto Wagner GmbH had complained that the method of translating export subsidies set in units of account into national currencies led to a reduction in subsidies paid to German sugar exporters.

The court is said to have ruled that the regulations governing the weekly tenders need to be clarified.

U.S. futures chairman to retire

WASHINGTON, May 3.

MR. William T. Bagley, chairman of the Commodity Futures Trading Commission, will retire in three or four months, pending re-authorisation of the Commission.

Two Bills now before Congress would rescind his five-year tenure, and make the office of chairman subject to the discretion of the President. The legislation is expected to be passed with the CFTC re-authorisation, and would probably be effective at the beginning of the 1979 fiscal year, October 1.

Reuter

Surge on London coffee futures market continues

BY RICHARD MOONEY

A COFFEE futures "squeeze" boosted values on the London market yesterday, lifting nearby prices above £2,000 a tonne at one stage. The May coffee position was traded at £2,050 a tonne during the morning before slipping to expire at £1,950 a tonne.

The strength of May futures was carried into the July position, which climbed to £1,761 during the day and finished £34.5 up on balance at £1,743.5 a tonne.

July coffee has advanced nearly £200 a tonne since the beginning of last week and stands at the highest level since late January.

At the start of business yesterday there were 1,100 uncovered lots of five tonnes each for delivery against the expiring May contract, a figure one trader described as "extraordinarily high."

Most of these lots were believed to be held by a single operator and the "bullish" effect on prices was enhanced by rumours that this operator was still buying May coffee during the day.

Wiht physical coffee commanding a premium of more than £100 over nearby futures dealers expected "long-holders" to delay their covering purchases. But most were surprised that the uncovered position had not been reduced to a more manageable level before yesterday.

Concern about the Brazilian weather continued to be an important background factor though most professional traders believed fears of a frost were "vastly overdone."

This year's first frost scare came on May 10, much earlier than usual, and though it was dismissed out of hand by the trade it had a profound effect on some speculators. The result has been a very nervous market.

This nervousness was aggravated on May 22 when light frosts were reported in southern Brazil. Local coffee trade sources said these frosts had not touched the coffee growing areas but market speculators nevertheless adopted an even more cautious attitude.

The latest blow to confidence came last weekend when several cold fronts threatened southern Brazil. All veered away before doing any damage, but hte scare helped to confirm the wintry mood of the world coffee market.

The traditional high-risk Brazilian frost period is not due until late July. Many traders believe a great fuss is being made about nothing. But it is understandable that traders should be cautious as the Brazilian crop has already suffered a serious setback through a prolonged drought which cut this year's expected crop by more than 2m bags (60 kilos each) to about 17m.

A frost now, say some experts, could do untol ddamage to the drought-weakened trees, severely cutting next year's crop potential, alhtcugh most of this year's crop has already been picked and is now safe.

Major damage to the Brazilian crop could set the world coffee market on an upward spiral even greater than that following the notorious 1975 frost. That disaster cut the Brazilian crop by more than three-quarters and forced world prices up by more than 1,000 per cent in the next two years.

Brazilian production is still recovering from this setback and another comparable frost could do permanent damage to world coffee supplies. World stocks were seriously depleted after the 1975 frost so there is little coffee available to act as a buffer against any new shortage.

On the other hand consumption has still not recovered from the unprecedented prices reached in the middle of last year and many dealers argue that current world prices are still far too high.

They point to recent estimates that world coffee demand is still some 10 per cent below pre-1975 levels as evidence that prices will have to fall considerably before the world coffee market can get back on an even keel.

● Reuter reports from San Jose that Costa Rica's 1977-78 coffee crop totalled 93,085 tonnes, according to Sr Alvaro Jimenez, Coffee Office executive director.

Sr. Jimenez expressed concern about the amount of Costa Rican coffee being smuggled out of the country, mainly to Panama, because of the disparity between domestic and export prices.

Last December the Coffee Office estimated 1976-77 coffee output at 1,120,000 60 kilo bags.

World food price pact sought

BY LYNDON WATKINS

Halifax, Nova Scotia, May 31.

CANADA and three other major food exporting countries will discuss the creation of an international pricing agreement for key agricultural products.

Mr. Eugene Whelan, Federal Agriculture Minister, told a food industry conference here he had a favourable response to the idea in preliminary contacts with the agriculture ministers of the U.S., Australia and the Argentine.

They were interested in setting minimum world selling prices for grains, beef and dairy products. The matter would be discussed in detail when they meet in Mexico City on June 12 to 14 for the World Food Council meeting sponsored by the U.N. Food and Agriculture Organisation.

Mr. Whelan said it was not Canada's intention to exploit foreign consumers by subjecting its exports of wheat, meat and dairy products to exorbitant price increases.

"We are only interested in getting security and a decent profit for our products and to see that no-one benefits or sacrifices at another's expense. We are not looking for increases of 400 per cent or more, which OPEC subjected the world to. But we mean to get a fairer deal than we are receiving at the present time."

Similar attempts to get a producer nation pricing agreement at an FAE meeting in the Philippines three or four years ago failed.

World food prices were higher than in relative terms and there was little interest among the major food producers to regulate them. World recession has changed that.

Mr. Whelan said the Argentine was particular interested in an agreement. Mr. Bob Bergland, the U.S. Agriculture Secretary was in favour, although the U.S. Government had yet to take a policy stand. Mr. Whelan expected difficulty with U.S. acceptance because of its concern about a free market philosophy.

He would not be drawn on the extent to which the prices of grain, beef and dairy would rise if minimum selling levels were introduced. But had "fairer prices" been in effect last year, Canada's $7bn primary agricultural industry would have benefitted by another $1bn.

The proposed pricing agreement will almost certainly be among topics discussed when Mr. Whelan meets Mr. John Silkin, the British Agriculture Minister, in Ottawa this week during his visit to Canada.

Fear of cut in supply lifts copper

By John Edwards, Commodities Editor

FEARS OF cuts in copper deliveries from Peru and Zaire, pushed copper prices to new highs for the year on the London Metal Exchange yesterday.

Cash wirebars closed £10.5 up at £778.5 a tonne and three months wirebars traded at £804 before profit-taking trimmed the closing price to £798.75.

Unconfirmed market rumours were that Zaire would declare a 70 per cent force majeure on its contracted shipments. Earlier it had been claimed that only slight damage had been caused to the Kolwezi mines.

Meanwhile Reuter reported from New York that Minero Peru had cut the amount of copper cathodes available in June, although it might ship blister copper instead.

Three more U.S. copper producers — Phelps Dodge, Anaconda and Copper Range—announced increases in their domestic selling prices from 64 cents to 67 cents a pound. Other U.S. producers made similar increases last week.

Anaconda said it was studying new pricing methods—a reference to the move by Kennecott to abandon the producer price system and base its prices on the New York copper market spot quotation.

Silver and free market platinum prices rose to new peaks. The bullion market spot quotation for silver at the morning fixing was 4.55p higher at 299.75p an ounce. Values eased in the afternoon and the spot prices on the London Metal Exchange closed 1.35p up at 297.9p. Free market platinum rose by £1.4 to £138.9 an ounce.

Cocoa export quotas study

ABIDJAN, May 31.

A special committee of the Cocoa Producers' Alliance is considering a system of stocks and export quotas to help boost world prices, it was reported here.

Provisional ideas on export export quotas include Brazil 228,000 tonnes, Cameroons 100,000, Ivory Coast 230,000, Ecuador 70,000, Ghana 320,000, Nigeria 160,000 and Togo 15,000.

The special committee is continuing its review of the 1975 World Cocoa Agreement, and hopes to suggest ways to overcome clauses which producers feel have a negative effect on prices.

Reuter

SOVIET FUR TRADE

Exports restrained to supply home market

BY DAVID SATTER IN MOSCOW

THE GIANT bins of the Irkutsk fur stock house hold pelts from all over Siberia—the skins of foxes, mink, otters, wild dogs, muskrat, sable and squirrels. Irkutsk is the largest of the dozen fur sorting bases in the country which service the world's biggest fur exporting business. It is supplied by 5,000-odd hunters and scattered fur farms in the Siberian region.

The sorting bases evaluate and classify the Soviet fur output. The Irkutsk base is unusual not only for the volume of furs it handles but because 70 per cent of the pelts processed there are "wild" furs delivered by hunters. They include such exotic furs as Siberian polecat, Lynx and the beautiful Kamchatka fire fox.

Wild furs were the basis of the Russian fur trade from the time of Ivan the Terrible to just after the Second World War, but they represent only about 20 per cent of total Soviet exports today and their volume share of both exports and production is expected to decrease. Still, wild furs are the types increasing most rapidly in value.

Before the war the sale of furs abroad by the Soyuzpushnina foreign trade organisation was an important source of hard currency for the Soviets and up to 90 per cent of exports consisted of furs caught by hunters.

After the war, however, industrialisation in Siberia drew people from isolated areas into the cities (while driving fur-bearing animals deeper into the forest) and few members of the younger generation chose to become hunters.

The demand for furs did not abate, however, and to satisfy the export market and the vast internal Soviet demand, the fur industry was completely restructured. The answer to the decline of the hunter was the development of fur farming.

The increase in breeding farms was dramatic. Between 1960 and 1975 the number of farmed mink skins, for example, increased from 250,000 to 10m.

There are now 120 state fur farms in the Soviet Union and 200 co-operative farms. In 1976 80 per cent of Soviet fur output —80m skins—was produced on breeding farms.

Costly

Soviet fur output is to increase 15 per cent to 20 per cent during the 1976-80 five-year plan with almost all the modest increase coming from farmed furs. The shift to fur farming has affected exports. At present only 20 per cent of Soviet fur exports are wild furs so, with the increase in farming, the wild skins collected at the Irkutsk base may become rarer and more costly.

The most important wild furs for export processed at Irkutsk include white polar fox, which is found by hunters in the tundra north of Yakutia near the Arctic Circle, red fox and the prized barguzin sable, which sells for up to $300 a skin at the famous Leningrad auctions. Eighty such pelts are needed for a full-length coat.

Although the price of Soviet furs generally has doubled in the past five years, prices have at least tripled for wild furs such as lynx, blue fox and white fox. One lynx skin recently brought a price at auction of $1,900. Other Soviet wild furs for which prices are increasing include red fox, racoon, white fitch, black fitch, wolverine, wolf, marmot and squirrel.

The Soviets have no plans to increase the volume of their fur exports, which had held steady for a number of years. The value of fur exports last year was 100m roubles compared with 82m roubles in 1976.

Officials believe the Soviet internal market could easily absorb double the current volume of production, but the desired increase in fur production is limited by a shortage of meat and fish for the farmed animals' diet.

Almost everyone in a city like Irkutsk has some article of fur apparel and many fur items are made privately. Before the war 60 per cent of Soviet fur production was exported but in the years ahead the percentage of fur exports and particularly wild furs, will shrink steadily, making those wild furs the Soviet Union does export all the more prized.

Bigger world wheat crop forecast

ROME, May 31.

WORLD WHEAT production this year is tentatively estimated by the Food and Agriculture Organisation at 405m tonnes, 5 per cent more than last year, but 1 per cent below trends in the past 17 years.

An FAO report says larger wheat and coarse grain crops are forecast for all regions except North America, where plantings were reduced in the U.S. and in Latin America, where drought has affected the Brazilian maize crop.

It expects world grain imports to rise 3 per cent in the 1977-78 season to 142m tonnes, with wheat imports reaching a record 69m tonnes, 18 per cent. more than last season.

But in 1978-79 wheat imports could fall to 64m tonnes and coarse grain imports to 71m.

The fall in wheat imports would be due to a recovery in crops after setbacks last year in a number of areas, including the Soviet Union and China.

Early prospects for wheat and coarse grain crops this year are mostly favourable, the report says, although widespread delays in spring sowing are causing concern.

Production prospects could still deteriorate as the season advances, but the large carryover stocks should provide a buffer if this happens.

Reuter

Chinese deal for Argentina

PEKING, May 31.

ARGENTINA has agreed to sell China as much as 3m tonnes of wheat and maize and 75,000 tonnes of raw cotton in the three years starting next year, Argentinian sources said.

The sales provisions were contained in a pact signed by Sr. Jose Alfredo Martinez De Hoz, the Argentinian Economics Minister, and Li Chiang, the Chinese Foreign Trade Minister.

The sources said Argentina would sell wheat and maize for a combined total of between 800,000 and 1m tonnes each year from 1979 to 1981. China would also buy 25,000 tonnes of raw cotton a year during the same period.

Reuter

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Strong in active trading on the London Metal Exchange. Forward metal rose to £786.5 on the early pre-market owing to rumours of a possible force majeure declaration by Zaire. This level attracted profit-taking, however, and the price dipped to £783 on the morning Kerb. In the afternoon reports of cut-backs in deliveries of Peruvian copper cathodes prompted some fresh buying which lifted forward metal up to £799. The price then moved further ahead to ...

EUROPEAN OPTIONS EXCHANGE

Option	Series	Close	Vol.	Close	Vol.	Close	Vol.	Equity close
Philips	F27.50	1.00	114	1.60	218	[illegible]	196	F 126
R. D. Shell	F120	7.50	1	10.60	8	10.50	30	
R. D. Shell	F130	1.70	3	4.00	32	5.60	5	
R. D. Shell	F140	0.30	—	1.00	3	[illegible]	2	F 112.60
Unilever	F110	6.00	2	7.50	—	[illegible]	—	
Unilever	F120	—	—	1.00	—	[illegible]	—	
Unilever	F130	—	—	0.50	—	1.00	—	

ART GALLERIES

CLASSIFIED ADVERTISEMENT RATES

COCOA

Prices closed barely steady despite modest consumer demand as the spot month expired quietly, reports Gill and Duffus.

COFFEE

TIN

Morning: Three months £329, 29.5, 29, 28.5. Kerb: Three months £329.5, 29. Afternoon: Three months £328.5, 29, 29.5. Kerb: Three months £330.5, 3.1, 32, 31.5.

* Cents per pound. † On previous official close. ‡ $M per picul.

SILVER

Silver was fixed 4.55p an ounce higher for spot delivery in the London bullion market yesterday, at 299.75p. U.S. cent equivalents of the fixing levels were: spot 540.8c, up 10.6c; three month 556.8c, up 10.6c; six month 565.9c, up 8.6c; and 12 month 587.6c, up 11.1c. The metal opened at 297.7-298.7p (542½-545½c) and closed at 296-297p (542½-544c).

SILVER per troy oz.	Bullion fixing pricing	+ or —	L.M.E. close	+ or —
Spot	299.75p	+4.55	297.9p	+1.35
3 months	306.95p	+4.45	305.05p	+1.2
6 months	314.35p	+4.15	—	—
12 months	331.25p	+4.85	—	—

LME—Turnover 154 (302) lots of 10,000 ozs. Morning: Three months 307.4, 7.1, 7.3, 7.3, 7, 7.2, 7.3. Kerbs: Three months 307.7, 7.9, 7.8, 7.7, 7.4, 7.5, 7.4. Afternoon: Three months 305.7, 5.6, 5.8, 5.7, 5.5, 5.6, 5.5, 5.3, 5, 4.7, 5, 5.1. Kerbs: Three months 304.5, 4.4, 4.5, 4.8.

JUTE

DUNDEE JUTE—Quiet. Prices of new crop c and f UK for Sept.-Nov. shipment: BWB £267, BWC £254, BWD £249. Tossa: BTB £267, BTC £255, BTD £249. Calcutta goods easier. Quotations c and f UK for prompt shipment: 10 oz 40 inch £9.80, 7½ oz £7.81 per 100 yards. June £9.71 and £7.75, July-Sept £9.71 and £7.59.

GRAINS

COTTON

RUBBER

SLIGHTLY STEADIER opening on the London physical market. Little interest at higher levels, closing on an easier note.

SOYABEAN MEAL

SUGAR

WOOL FUTURES

MEAT/VEGETABLES

Feed grains pact opposed

WASHINGTON, May 31.

THE U.S. Feed Grains Council said it opposed negotiation of an international commodity agreement for coarse grains.

Mr. Harold Smedley, council vice-chairman, said previous support in the domestic feed grain industry for a pact appeared to have disappeared. This was because of little, if any, prospect for obtaining commitments from importing countries to ease or eliminate import barriers to U.S. corn and feed grain imports.

Reuter

PRICE CHANGES

Prices per tonne unless otherwise stated.

FINANCIAL TIMES

REUTER'S

DOW JONES

(Average 1924-25-26=100)

MOODY'S

Moody's	May 30	May 26	Month ago	Year ago
Staple Commodity	Unav.	933.2	902.3	931.5

(December 31, 1931=100)

GRIMSBY FISH—Supply good and demand good. Prices a stone at ship's side (unprocessed): Shelf cod £3.50-£4.00, codlings £2.60-£3.30, large haddock £3.50-£4.40, medium plaice £3.50-£4.50, best haddock £2.00-£3.00, large plaice £4.20-£4.40, medium plaice £3.70-£4.50, best small plaice £3.30-£4.00, skinned dogfish (large) £8.00 (medium) £4.40, lemon soles (large) £6.50 (medium) £5.50, rockfish £1.50-£2.00, reds £1.60-£2.20, saithe £1.60-£2.30.

PALM OIL, London—Closing: June 300.00-330.00, July 300.00-330.00, Aug. 300.00-330.00, Sept. 290.00-330.00, Oct. 290.00-320.00, Nov. 280.00-315.00, Dec. 250.00-310.00, Jan. unquoted, Feb. unquoted. Sales: nil.

U.S. Markets

Metals up on price index rise

NEW YORK, May 30.

PRECIOUS METALS closed sharply higher on aggressive Commission House buying and short-covering following a weaker U.S. dollar and expectations of a sharp increase in the consumer price index for April. Copper rallied on trade arbitrage buying. Commission House short-covering following the strength in Sterling.

Cocoa—July 133.30 (136.25), Sept. 130.50, (133.25), Dec. 126.65, March 123.50, May 121.80, July 120.20, Sept. 118.70. Sales: 945.

Coffee—"C" Contract: July 168.40-169.00 (168.50) Sept. 162.25-162.30 (162.70), Dec 155.00-155.25, March 151.50-152.00, May 148.75-149.00, July 146.75, Sept. 143.00-144.00. Sales: 520.

Copper—June 63.30 (same), July 63.90 (same), Aug. 66.50, Sept. 67.10, Dec. 68.70, Jan 69.20, March 70.20, May 71.20, July 72.20, Sept. 73.20, Dec. 74.70, Jan. 75.20, March 76.20. Sales: 7,000 lots.

Cotton—No. 2: July 60.58-60.70 (60.94), Oct. 62.42-62.43 (62.85), Dec. 63.95-64.00, March 64.55, May 65.50-65.55, July 65.90-66.20, Oct. 66.15-61.40. Sales, 365,000 bales.

*Gold—June 183.90 (179.80), July 185.10 (181.00), Aug. 186.60, Oct. 189.50, Dec. 192.40, Feb. 195.40, April 198.40, June 201.40, Aug. 204.40, Oct. 207.40, Dec. 210.40, Feb. 213.40. Sales: 11,200.

†Lard—Chicago loose not available. New York prime steam 24.25 asked (24.25 traded).

†Maize—July 270½-270 (266½), Sept. 269½-270 (266½), Dec. 274-274½, March 281½-280½, May 285, July 286.

Last nights North American closing prices were not available when this edition went to press.

§Platinum—July 254.50 (244.30), Oct. 255.80 bid (245.50), Jan. 256.80 bid, April 257.80 bid, July 259.90 bid, Oct. 262.00 bid, Jan. 264.20 bid. Sales: 1,666.

*Silver—June 540.70 (524.70), July 543.90 (525.20), Aug. 547.60, Sept. 551.20, Dec. ...

STOCK EXCHANGE REPORT

Industrial leaders respond to modest buying interest

Share index up 6.3 at 478.8—Golds improve afresh

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 15	May 25	May 26	Jun. 7
May 30	Jun. 8	Jun. 9	Jun. 20
Jun. 12	Jun. 22	Jun. 23	July 4

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

British Funds and the Industrial leaders took a turn for the better after the recent spell of subdued trading. Reasons for the change in sentiment were difficult to find, but a small demand for leading shares found the market short of stock. Final gains, which ranged to 5 and sometimes more, were out of proportion to the amount of business transacted. The late tone in equities was helped by better-than-expected annual results from Reed International, up 6 at 128p, and the FT 30-share index closed at the day's best with a rise of 6.3 at 478.8.

The absence of any further selling was the main factor behind a small improvement in short-dated Gilt-edged and, with the longer maturities rising in sympathy, the Government Securities index picked up from the previous day's 1978 low to close 0.21 higher at 70.13.

Elsewhere, take-over speculation revived, particularly in secondary Engineers, following the surprise bid from Thomas Tilling for Fluidrive which jumped 19 to 74p. Companies making trading statements also helped to create a little interest. Conditions overall, however, remained quiet as reflected in a further fall in official bargains to 4,342 compared with 4,575 on Tuesday.

Gold mining shares continued to make headway in the wake of a fresh rise in the price of bullion and the Gold Mines index improved 2.5 more to 156.1.

Gilts better

Still overshadowed by monetary worries, conditions in the Gilt-Edged sector remained extremely thin and sensitive. Nevertheless, scattered demand and the absence of any further selling prompted a revival in the shorts. Gains in this sector ranged to ⅛, with the tap, Exchequer 9½ per cent "A" recovering that amount to 93⅛. Interest in the longer maturities remained at a low ebb, but prices again moved in sympathy with the shorts and final quotations recorded rises extending to ⅛. Corporations were quiet and rarely altered.

In complete contrast to the previous day's paucity of business, dealings in London Traded Options yesterday were the second heaviest since the start of trade on April 21. 906 contracts were done compared with Tuesday's 349 and the total was only 77 short of the highest achieved on May 3. Courtaulds with 198 contracts were the day's most active stock, while ICI totalled 180 and Cons. Gold 109.

In line with sterling and Wall Street influences, the investment currency premium opened at around 108 per cent then drifted lower on evenly matched two-way trading to close the day a net 1½ per cent down at 106¾ per cent. Yesterday's conversion factor was 0.6878 (0.6847).

Insurances better

Recent dullness in Insurance Brokers caused by Alexander Howden's surprise £26m fund-raising call gave way to firmer conditions yesterday. A modest demand in a market short of stock prompted some sharp gains and, although closing levels were in some cases a couple of pence below the best, Sedgwick Forbes still achieved a gain of 12 at 396p, and C. E. Heath finished 10 higher at 273p. Howden moved up 4 to 160p, while the new nil-paid shares added 5 at 14p premium. Minet rose 7 to 193p as did Willis Faber, to 262p. Composites moved in a similar direction with Royals 7 higher at 360p, Sun Alliance 6 to the good at 524p and General Accident 5 harder at 215p.

The major clearing Banks made progress in thin trading. Following the announcement that the group is to increase its personal and other loan interest rates, Midland closed 5 dearer at 365p, while Barclays firmed a like amount to 335p. Lloyds gained 6 to 282p and NatWest 7 to 275p.

News of improved production in April helped Breweries into slightly higher ground. Elsewhere, Invergordon hardened 2 to 101p on the increased earnings.

Moderate demand developed for Building issues, but gains were usually restricted to a few pence. Heywood Williams advanced 6 to 110p reflecting the approval of the company's purchase of Interstate United of Chicago, while small demand lifted Ibstock Johnsen 4 to 170p. French Kier improved 3 to 31p after the chairman's confident remarks about profits and Norwest Holst firmed 2 to 96p on the annual results. Marley however, were lowered a penny to 76p following profits below market expectations. A. Monk added 4 to 98p on renewed speculative interest and Milbury firmed a couple of pence to 112p. Buyers came in for Leyland Paint which responded with a rise of 5 to 71p and for J.B. Holdings, 3½ to the good at 72p.

ICI improved 5 to 392p on small buying in early dealings and, similarly, Fisons added a like amount to 361p. Elsewhere in Chemicals, Brent, 186p, and the new shares, 167p both closed 5 higher after renewed investment interest.

GEC good

GEC came to the fore in Electricals, improving 8 to 264p despite reports of unwanted competition from the National Enterprise Board in the semi-conductor industry. Higher interim figures lifted Dubilier a penny to 19½p.

Home Charm continued firmly in Stores, rising 6 to 172p for a two-day gain of 14. H. Samuel A responded to increased earnings and the scrip issue proposal with a rise of 5 to 273p. Shoes were noteworthy for strength in Strong and Fisher, 4 up at 60p, and K. 5 to the good at a 1978 peak of 72p.

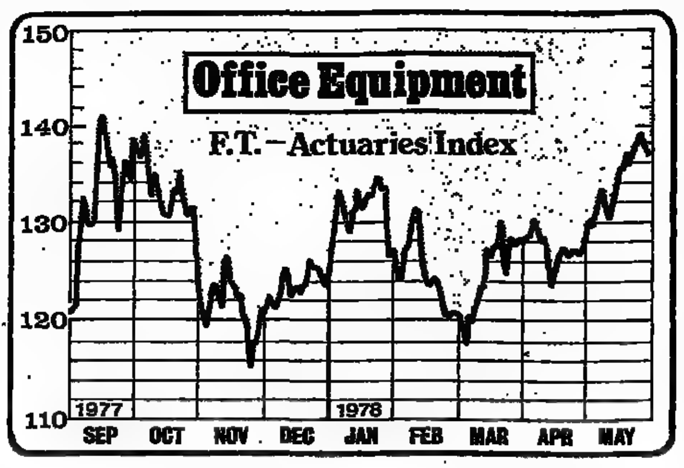
Early interest in secondary Engineerings was enlivened considerably by the surprise announcement of a bid for Fluidrive from Thomas Tilling; the former immediately jumped 19 to 74p, thus matching Tilling's share exchange terms, while other old bid favourites in the sector started to attract fresh speculative attention. Spirax-Sarco became particularly favoured at 139p, up 11, while Tecalemit rose 3 to 137p and Victor Products (Wallsend) gained 4 to 136p. A dull market of late after the abortive bid discussions, Castings revived on hopes that a new suitor will appear and closed 4 dearer at 40p. Hill and Smith gained a similar amount, to 66p, as did Delson, to 32p, the latter still benefiting from recent investment comment. A combination of revived speculative and investment demand ahead of forthcoming annual results helped John Brown to advance 6 to a 1978 peak of 376p. Tubes gained 8 to 382p and GKN 3 to 264p, after 265p; sentiment in the latter was unruffled by the late announcement that the group has dropped its bid for Sachs AG.

Foods attracted a better business and closed firmly. J. Sainsbury were supported at 188p, up 5, while Fitch Lovell hardened 3 to 65p and Associated Dairies 9 to 236p. Carr's Milling rose 4 to a 1978 peak of 47p on the satisfactory interim figures. Other firm spots included J. Lyons, 2 up at 95p, and W. J. Pyke, 3 better at 33p.

City Hotels figured prominently, rising 7 to 131p. Other Hotels also moved into higher ground in the wake of a report that hotel occupancy was at record levels last year.

Reed Int. please

Having moved nervously between extremes of 124p and 120p in front of the preliminary results, Reed International moved sharply forward to touch 131p on the much better-than-expected showing before closing 6 up on the day at 128p. Other miscellaneous Industrial leaders met with an early modest investment interest which was enough to leave improvements of up to 7 by the close. Beecham ended that much dearer at 662p, while Boots, 193p, Glaxo, 590p and Pilkington, 483p, all closed 5 higher. Elsewhere, Mitchell Cotts Transport edged forward a penny to 83p in response to bid terms from its parent Mitchell Cotts Group, a fraction easier at 42p. Renewed speculative support lifted Sharna Ware 6 to 116p and Talbex 1½ to 21½p. Foseco Minsep attracted buyers at 162p, up 6, and Sale Tilney were notable for an advance of 8 at 268p. Kelsey Industries, on the other hand, cheapened 2 to 99p following the lower interim earnings.



Motor Distributors recovered most of initial falls which followed news that Harold Perry, the Ford main dealer, is facing a tax test case over its leasing arrangements. Perry ended 8 off at 204p, after 201p, while T. C. Harrison finished 4 easier at 116p, after 114p. Godfrey Davis, which has already won a controversial case against the Inland Revenue, closed only a penny off at 92p. Oliver Rix, a firm market of late, eased ½ to 8p on profit-taking following the interim statement.

Newspapers and kindred trades displayed several notable features. Thomson, 248p, recouped nearly all of the previous day's fall of 8 which reflected reports of less favourable North Sea Oil prospects. East Midland Allied Press A firmed 3 more to 93p in continued response to the annual results. Speculative demand lifted Melody Mills 8 to 91p.

English Property recover

After moderate turnover, Properties closed with a firm appearance with English recovering 2 to 46p after the previous day's reaction of 4 on Press comment and pending developments in the talks with an unnamed Continental group. Land Securities firmed 3 more to 212p ahead of next Tuesday's preliminary results. Speculative favourites Property Partnerships and Bernard Sunley had contrasting movements; the former adding 5 more to 110p in a thin market, but the latter, 6 higher the previous day on bid rumours finishing a penny off on balance at 217p. Evans of Leeds, results due next month, succumbed to profit-taking after recent speculative interest and closed 4 down at 100p. Percy Bilton, 3 easier at 160p, reflected disappointment with the results and the accompanying disclosure of substantial losses on housing contracts. In contrast, housebuilders Rush and Tompkins advanced 6 to 112p.

In a continuation of the previous day's quiet trade, British Petroleum, at one stage 4 higher, closed without alteration at 876p awaiting today's first quarter figures. Shell, however, managed a modest improvement to 560p, but Burmah drifted down a penny to 70p. Speculative buying lifted Oil Exploration 8 to 246p but, despite a favourable Press mention, Siebens UK succumbed to further profit taking to close 30 lower at 404p.

Gill and Duffus moved up 4 to 270p in Overseas Traders and investment demand led to a rise of 6 to 100p in Ocean Wilsons. Lonrho eased to 65p on the interim statement before rallying to close without alteration at 67p.

M and G Group featured late in Investment Trusts and Financials with a rise of 7 to a 1978 peak of 125p on the sharply increased first-half profits, while London and European continued to attract speculative demand and improved 2 to 29p for a two-day gain of 5.

Lofs attracted late interest in Shippings and closed 2 harder at 35½p, while interest was also shown in Reardon Smith "A", 2½ better at 37½p.

Textiles provided a modest feature in Nova Jersey which rose 6 to a 1978 peak of 45p on small buying in a restricted market. In Tobaccos, A. Dunhill closed without alteration at 380p following the results.

Australians erratic

After being marked down sharply at the outset of trading following sizeable profit-taking in overnight Sydney and Melbourne markets, Australian mining issues staged a good rally in the afternoon.

The recent high-flyer, Northern Mining, moved within extremes of 119p and 133p before closing 5 cheaper on balance at 125p, while the other members of the Ashton diamond joint venture also ended with minor losses. Conzinc Riotinto dipped 5 to 240p, while the London-registered "Tanks" eased 2 to 171p.

As interest waned in Northern Mining, speculative buying was directed towards Paringa Mining and Exploration which advanced 8½ to a 1978 high of 38p; Paringa has interests in the Mount Lindsay tin prospect and the Que River zinc-lead-copper prospect, both in Tasmania.

Also attracting a fair amount of speculative buying were Mount Lyell, which rose 4 to a 1978 high of 36p.

Uraniums were steady reflecting news that the Federal Parliament had passed six bills backing the Australian Government's decision to resume the mining and export of uranium.

On the other hand, base-metal producers failed to recoup all of their initial losses. MIM Holdings were finally 7 off at 207p, after 204p, while falls of 3 were common to Bougainville, 127p, and BH South, 97p.

South African Golds again moved ahead in response to the bullion price, which was finally $1.50 better at $184.375 per ounce. The Gold Mines index gained 2.5 more to 156.1.

Hopes of increased June dividend declarations lifted East Driefontein 44 to a year's high of 768p, and West Driefontein ½ to a high of £22.

The recent strength of the platinum price prompted a modest London demand for Rustenburg, 4 up at 84p, and Bishopsgate, the same amount firmer at 82p.

Elsewhere, Anglo United advanced 14 more to 172p; on Tuesday the shares were suspended in Canada but the suspension was lifted shortly afterwards following a statement from the company that it knew of no reason for the recent sharp rise in the share price.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	44	—	12
Corpns., Dom. and Foreign Bonds	3	5	57
Industrials	420	211	912
Financial and Prop.	156	59	314
Oils	6	7	21
Plantations	5	5	22
Mines	59	28	45
Recent Issues	6	6	16
Totals	719	312	1,399

MONTHLY AVERAGES OF STOCK INDICES

—	May	April	Mar.	Feb.
Financial Times				
Government Secs.	70.86	72.47	75.11	74.78
Fixed Interest	72.40	75.80	77.67	77.91
Industrial Ord.	476.6	460.9	454.9	457.9
Gold Mines	148.6	146.1	138.0	146.5
Dealings mkd.	5,221	4,980	4,937	5,525
F.T. Actuaries				
Indust. Grp.	209.51	199.88	196.18	196.86
500-Share	233.28	220.50	215.46	215.72
Financial Grp.	166.22	160.85	162.96	159.93
All-Share (650)	215.38	204.30	200.27	199.78
Red. Debs	57.77	58.58	60.80	61.55

	High	Low
Industrial Ord.	488.3 (12th)	466.8 (22nd)
All-Share	218.52 (15th)	209.23 (2nd)

FINANCIAL TIMES STOCK INDICES

—	May 31	May 30	May 26	May 25	May 24	May 23	A year ago
Government Secs.	70.13	69.92	70.10	70.47	70.42	70.59	68.47
Fixed Interest	71.77	71.76	71.99	72.10	71.95	71.97	69.13
Industrial Ordinary	478.8	472.5	476.1	477.5	474.0	470.6	448.5
Gold Mines	156.1	153.6	152.4	152.9	153.8	155.1	122.8
Ord. Div. Yield	5.52	5.59	5.56	5.52	5.56	5.59	6.18
Earnings Y'ld% (full)(*)	16.40	16.59	16.52	16.70	16.82	16.98	15.88
P/E Ratio (net)(*†)	8.19	8.10	8.15	7.99	7.93	7.88	9.13
Dealings marked	4,342	4,575	5,563	4,479	4,657	4,953	4,949
Equity turnover £m	—	49.53	88.09	82.32	64.87	69.68	37.04
Equity bargains total	—	12,387	16,848	16,599	15,118	13,314	14,787

10 am 474.7. 11 am 474.9. Noon 477.8. 1 pm 478.3. 2 pm 475.4. 3 pm 478.3.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil =8.89.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	69.92 (30/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	71.74 (22/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (5/3)	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	May 31	May 30
—Daily		
Gilt-Edged	143.2	133.5
Industries	149.5	162.9
Speculative	42.2	36.4
Totals	98.2	104.1
5-day Av'rage		
Gilt-Edged	139.0	148.4
Industrials	168.8	173.9
Speculative	38.2	35.7
Totals	107.5	110.3

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	17	392	+ 5	392	328
Barclays Bank	£1	12	335	+ 5	358	296
BP	£1	12	876	—	892	720
Howden (A.) "New"	Nil/pd.	11	14pm	+ 5	14pm	9pm
Shell Transport	25p	11	560	+ 6	586	484
BATs Defd.	25p	10	291	+ 3	296	227
Boots	25p	8	193	+ 5	231	184
GEC	25p	8	264	+ 8	278	233
Courtaulds	25p	7	125	+ 3	131	109
Distillers	50p	7	181	+ 3	187	163
Dobson Park "New"	Nil/pd.	7	28pm	+ 2	28pm	23pm
Paringa Mining	5p	7	38	+ 8½	38	12
Commercial Union	25p	6	150	+ 4	159	138
Harrisons Malay. Ests.	10p	6	89	− 1	105	65
Reed Intl.	£1	6	128	+ 6	143	102

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
May 23	Jun. 6	Aug. 17	Aug. 30
Jun. 7	Jun. 20	Aug. 31	Sep. 14
Jun. 20	July 4	Sep. 14	Sep. 28

For rate indications see end of Share Information Service

Money was given for the call in Premier Consolidated Oil, Rio Tinto-Zinc, Thomson Organisation, London Brick, Dorada, New Throgmorton Capital, John Brown, Redman Heenan, Burmah Oil, UDT, Capital and Counties, Messina, and Pacific Copper. A put was done in Staflex International, while doubles were arranged in Charterhall, English Property, Burmah Oil, Cons. Gold Fields, Erskine House and Reed International.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (136)

FOREIGN BONDS (1)
CANADIANS (1)
BANKS (4)
BEERS (1)
BUILDINGS (12)
CHEMICALS (3)
DRAPERY & STORES (4)
ELECTRICALS (6)
ENGINEERING (15)
FOODS (4)
HOTELS (3)
INDUSTRIALS (33)
MOTORS (5)
NEWSPAPERS (2)
PAPER & PRINTING (3)
PROPERTY (4)
SHOES (2)
TEXTILES (3)
TOBACCOS (1)
TRUSTS (7)
OVERSEAS TRADERS (4)
RUBBERS (2)
TEAS (1)
MINES (14)

NEW LOWS (8)

CORPORATION LOANS (1)
GLC 12½pc 1982
BUILDINGS (2)
Benlox Travis & Arnold
CHEMICALS (1)
ICI 5pc Pref.
INDUSTRIALS (2)
Staflex Internatl. Sunlight Service
MOTORS (1)
Peak Investments
SHIPPING (1)
Runciman (W.)

APPOINTMENTS

Electrolux chairman change

Sir Alex Page, a director of ELECTROLUX since last November, has become chairman in succession to Lord Luke, who has been elected life president. Sir Alex is chairman of Metal Box.

★

Mr. R. G. Baynham has resigned from the Board of SLIMMA GROUP HOLDINGS and its subsidiaries.

★

Mr. Ronald G. Hooker, who became a director of DUBILIER in 1976, has been appointed to the non-executive post of deputy chairman.

★

Mr. M. J. Pyle has been appointed a director of M. W. MARSHALL INVESTMENTS.

★

Lord Sackville has retired as a director of MINSTER ASSETS.

★

Mr. R. A. P. Jackson has been appointed to the Board of C. G. PAXTON, a member of the McKechnie Group.

★

Mr. A. J. O. Ritchie has been appointed deputy chairman of GRINDLAYS HOLDINGS. He joined the Board in March last year and at the same time was made a director and deputy chairman of Grindlays Bank. Mr. Ritchie is also chairman of Union Discount Company of London and a member of the Export Credits Advisory Council.

★

Mr. Gordon Brunton has become non-executive chairman of BEMROSE CORPORATION in place of Sir Max Bemrose, who has retired from that position, but remains on th Board as a non-executive director. Mr. Brunton is also managing director and chief executive of the Thomson Organisation.

★

Mr. W. F. Younger has been appointed chairman of HAY-MSL in place of Lord Mais, who has retired from that position but remains on the Board.

★

Mr. John Giannopoulos has been appointed by PATERSON ZOCHONIS AND CO. as director in charge of affairs in West Africa in succession to Mr. N. D. Phoros, who resigns following his retirement from active service. Mr. Alan Whittaker has been made finance director in place of Mr. H. S. Stafford, who remains on the Board.

★

Mr. Anthony Hayward has been appointed chairman of FAIREY MARINE HOLDINGS and chairman and a director of Fairey Marine, at Hamble, Fairey Marine (East Cowes), Fairey Exhibitions, and *Fairey Yacht Harbours*. Mr. Howard Atkins has become financial director of Fairey Marine Holdings and Fairey Marine at Hamble. Mr. Jim Caldwell has joined Fairey Marine as marketing manager and will be responsible for the sales and marketing of the two boatbuilding companies.

★

Mr. Geoffrey J. Chibbett, group finance director of DOBSON PARK INDUSTRIES, has taken up other responsibilities within the group as a divisional chairman. Mr. Graham H. Edwards has become group finance director (designate). Mr. Edwards was previously with Linread.

★

Mr. John B. Hodges, underwriter, of CAMOMILE UNDERWRITING AGENCIES, has been appointed a director. The company is a member of the Matthews Wrightson Group.

★

Mr. David Sinker, deputy managing director and financial director, has taken over as managing director of HUNTING SURVEYS AND CONSULTANTS on the retiremnet of Mr. F. D. Weatherhead.

★

Mr. G. D. Wragg has relinquished his position as finance director of FIRTH BROWN to concentrate on divisional activities. Mr. M. A. Brand has been appointed finance director and secretary.

★

Mr. P. M. Bunce, Mr. J. Grant and Mr. D. J. Herod have been *appointed to the Board of* SCHLESINGER.

★

Mr. John H. Goodier has been appointed managing director of DOWTY BOULTON PAUL. He joined this company in 1973 as deputy managing director.

★

Mr. J. M. Fetherston, of Thomas Meadows and Co., has joined the SIMPLIFICATION OF INTERNATIONAL TRADE PROCEDURES BOARD.

★

The Secretary of State for Trade has appointed Sir Kenneth Selby to be chairman of the AIR TRAVEL RESERVE FUND AGENCY for a further period of two years. Sir Kenneth is chairman and managing director of the Bath and Portland Group.

★

Mr. Hamish M. Buchanan has become New York agent of BANK OF NEW ZEALAND and Mr. David P. Oram has been made deputy agent, New York. Mr. Buchanan was manager in London for six years.

★

Mr. G. G. Tidman has been appointed production director of WOOD BASTOW AND CO.

★

Sir Rex Richards, vice-chancellor of Oxford University and Warden of Merton College, has been appointed to the Boards of IBM UNITED KINGDOM HOLDINGS and IBM UNITED KINGDOM.

★

Mr. Michael Jefferson, previously sales manager for the Midlands and Wales areas of GASKELL AND CHAMBERS, has been appointed sales director. The company is a member of the MK Refrigeration Group.

★

Mr. Richard Coldwell has become secretary of the ELECTRICITY CONSUMERS' COUNCIL in place of Mr. Peter Holmes who has been acting secretary. Mr. Coldwell was previously with CEGB.

★

A corrected announcement from MORGAN EDWARDS states that Mr. Roy Seamark is joining the Board on June 5 as managing director and chief executive, not joint executive as published yesterday.

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	145	—	155	—	175	—	879p
BP	800	96	7	114	12	135	—	"
BP	850	53	—	73	—	96	—	"
BP	900	20	—	45	—	67	—	"
Com. Union	140	14	—	20	4	22½	—	149p
Com. Union	160	9½	—	9½	—	12½	1	"
Cons. Gold	160	21	10	29	8	34	—	177p
Cons. Gold	180	9	81	17	10	23	—	"
Courtaulds	100	27	12	30	37	31½	3	125p
Courtaulds	110	16½	—	21½	1	23½	7	"
Courtaulds	120	11½	47	15	19	17	1	"
Courtaulds	130	6	59	11	17	15½	15	"
GEC	220	48½	7	54	2	59	—	265p
GEC	240	29	17	37	1	45	—	"
GEC	260	14	11	25	16	31½	4	"
Grand Met.	100	17	—	21	—	22	5	114p
Grand Met.	110	9	6	13	7	17½	5	"
Grand Met.	120	5	29	9	5	12	5	"
ICI	330	70	6	73	4	75	13	393p
ICI	350	40	15	46	34	52	50	"
ICI	390	15½	52	25	28	34½	18	"
Land Secs.	180	35	30	36	19	42	6	213p
Land Secs.	200	17	14	22	5	27½	6	"
Land Secs.	220	6½	12	12	2	17	4	"
Marks & Sp.	120	30	5	35	—	35	5	147p
Marks & Sp.	140	12	12	17	—	21	2	"
Marks & Sp.	160	3¾	5	9½	26	13	27	"
Shell	500	76	19	88	—	106	—	561p
Shell	550	33	15	55	7	68	5	"
Shell	600	11	43	26	4	38	3	"
Totals			475		267		164	

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or −	Div. Amount	Times Covered	Gross Yield	P.E. Ratio
100	F.P.	5/7	153	142	Eurotherm	148	......	b2.64	4.0	2.7	14.1

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
$100	F.P.	—	99¾	[illegible]	Amer. Express Int Fin. Variable 82	99¾	......
130p	F.P.	30/6	[illegible]	107½p	Armitage (G.) 10½% 2nd Cum. Pref.	107½p	......
£99	£10	22/9	10¼	10⅛	Barnet 12½% Red. 1987	10⅛	−⅛
[illegible]	[illegible]	[illegible]	104½	100p	[illegible] Cum. Conv. Red. 2nd Pref.	102p	......
††£97.55	£10	28/7	10¼	10¼	Essex Water 7% Red. Pref. 1983	10¼	......
[illegible]	Nil	—	[illegible]	26	[illegible]	26	......
£99	£50	25/8	49½	48¾	Greenwich (Lon. Boro. of) 11¾% Red. 1986	47⅜	......
[illegible]	F.P.	—	101	99	Liberty & Co. 9.5% Prf.	100½	−½
—	F.P.	9/6	[illegible]	102½	Menzies (J.) 9% Cum. Pref.	104½p	......
100p	—	23/6	[illegible]	97½	Pittard 9% Cum. Prf.	98½	−½
[illegible]	F.P.	—	102	100	Quick (H. & J.) 10% Prf.	100	−2
£100	F.P.	26/6	101	100¼	Tesco 15% Uns. Cnv. Ln. 1985	98	......
£98½	£10	1/9	10	8	Tyne & Wear 12% Red. 1986	8½	......
[illegible]	F.P.	16/6	101½	101¼	Wade Potteries 10% Pref.	101	......

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date		1978 High	1978 Low	Stock	Closing Price p:	+ or −
20p	Nil	13/6	7/7	167pm	158pm	Brent Chemicals	167pm	+5
56	F.P.	25/5	23/6	59	48	Brown Boveri Kent	59	......
C$24	Nil	—	—	51pm	33pm	Canadian Imperial Bnk	43pm	−2
20p	Nil	9/6	7/7	36pm	34pm	Central Manufacturing	34pm	−1
70p	Nil	—	—	28pm	25pm	Dobson Park Inds	28pm	+2
R3.05	Nil	—	—	20pm	17pm	Elandsrand Gold Mining	20pm	+3
74	F.P.	26/5	23/6	102	98	[illegible]	98	......
145	Nil	—	—	14pm	9pm	Howden (Alexander)	14pm	+5
340	F.P.	31/5	23/6	403	386	Rowntree Mackintosh	402	+5
50	F.P.	19/5	9/6	54	42	Supra	54	+1
152	F.P.	16/5	13/6	186	163	Turner & Newall	184	......
20p	Nil	5/6	17/7	5pm	5pm	[illegible]	5pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. t Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed., May 31, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Tues. May 30 Index No.	Fri. May 26 Index No.	Thurs. May 25 Index No.	Wed. May 24 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	214.70	+1.3	17.50	5.58	7.99	211.96	212.52	213.57	211.78	177.95
2	Building Materials (28)	190.89	+0.6	18.00	5.68	7.96	189.66	190.31	191.04	189.38	147.96
3	Contracting, Construction (26)	342.63	+0.9	20.00	3.98	7.32	339.52	340.91	344.49	338.29	251.63
4	Electricals (15)	455.62	+2.5	15.01	3.90	9.44	444.48	445.47	448.44	446.17	341.89
5	Engineering Contractors (14)	318.14	+1.0	18.56	6.41	7.30	314.95	317.71	319.71	316.20	252.60
6	Mechanical Engineering (71)	173.98	+1.0	18.43	6.10	7.40	172.23	172.17	172.19	171.14	162.17
8	Metals and Metal Forming (17)	165.12	+0.8	17.34	8.49	7.88	163.73	164.60	166.01	164.23	151.26
	CONSUMER GOODS										
11	(DURABLE) (52)	195.94	+0.9	17.04	4.87	8.26	194.28	194.59	194.42	193.65	164.63
12	Lt. Electronics, Radio TV (16)	229.26	+1.0	15.28	3.77	9.23	227.02	227.10	226.93	225.86	183.87
13	Household Goods (12)	176.52	+0.2	16.30	6.39	8.43	176.13	176.52	176.46	175.57	162.49
14	Motors and Distributors (25)	125.04	+0.8	19.82	6.17	7.12	124.05	124.16	124.31	124.62	110.32
	CONSUMER GOODS										
21	(NON-DURABLE) (175)	203.47	+1.3	15.72	5.80	8.66	200.90	201.94	203.10	201.47	166.63
22	Breweries (14)	236.73	+1.0	14.41	5.72	9.98	234.37	238.82	241.06	236.61	175.99
23	Wines and Spirits (6)	258.48	+1.5	15.65	5.57	9.69	254.76	257.49	259.92	257.54	192.71
24	Entertainment, Catering (17)	260.61	+1.8	13.53	6.55	10.70	255.99	254.71	256.41	255.11	209.17
25	Food Manufacturing (22)	195.10	+0.9	19.97	5.69	6.62	193.32	192.29	193.19	192.44	173.90
26	Food Retailing (15)	200.61	+1.4	14.17	5.01	9.74	197.81	197.27	198.82	196.84	164.26
32	Newspapers, Publishing (13)	371.10	+1.7	10.65	3.34	13.44	364.85	371.79	373.56	371.59	279.72
33	Packaging and Paper (15)	131.79	+0.9	19.82	9.07	7.15	130.65	130.02	130.04	129.16	117.99
34	Stores (39)	181.12	+1.4	11.64	4.48	12.61	178.60	179.66	181.17	179.26	143.37
35	Textiles (25)	183.26	+1.4	17.03	7.56	7.57	180.65	185.67	184.54	182.02	165.57
36	Tobaccos (3)	258.49	+1.2	21.39	7.24	5.56	255.34	255.83	256.83	257.73	219.28
37	Toys and Games (6)	108.64	+0.4	19.48	5.75	6.72	108.26	108.61	108.61	107.61	95.18
41	OTHER GROUPS (97)	200.21	+0.6	16.06	5.68	8.18	198.91	199.65	199.86	197.98	178.65
42	Chemicals (19)	286.40	+1.0	17.41	6.10	7.80	283.47	285.12	283.82	278.14	247.56
43	Pharmaceutical Products (7)	262.79	+1.0	11.27	3.90	11.09	260.18	260.67	259.86	259.58	[illegible]
44	Office Equipment (6)	136.72	−0.3	17.52	4.75	6.75	137.17	137.66	139.21	137.74	102.82
45	Shipping (10)	430.85	+0.6	19.42	7.31	6.26	428.15	432.57	434.14	436.84	518.86
46	Miscellaneous (55)	204.95	+0.2	16.71	6.28	8.12	204.55	204.80	206.30	205.10	174.76
49	INDUSTRIAL GROUP (495)	211.86	+1.1	16.33	5.65	8.34	209.57	210.38	211.21	209.48	178.35
51	Oils (5)	496.45	+0.5	14.87	3.98	7.29	493.87	494.63	499.41	496.07	496.81
59	500 SHARE INDEX	235.43	+1.0	16.10	5.40	8.16	233.09	233.91	235.04	233.17	203.97
61	FINANCIAL GROUP (100)	165.51	+1.6	—	5.62	—	162.91	163.89	165.19	166.14	136.08
62	Banks (6)	192.36	+1.8	24.60	5.60	6.15	188.92	190.83	192.42	195.16	150.93
63	Discount Houses (10)	198.97	+0.4	—	8.57	—	198.12	200.37	200.37	199.20	163.91
64	Hire Purchase (5)	146.48	+0.5	13.36	5.60	11.08	145.72	145.43	146.63	145.65	126.35
65	Insurance (Life) (10)	138.98	+1.5	—	6.55	—	136.99	137.21	139.82	139.26	106.36
66	Insurance (Composite) (7)	126.12	+2.1	—	6.76	—	123.57	124.04	125.98	126.20	111.47
67	Insurance Brokers (10)	332.86	+2.9	14.01	4.71	10.22	323.44	327.37	333.37	345.62	289.74
68	Merchant Banks (14)	80.55	+0.3	—	6.05	—	80.31	80.08	79.94	79.81	69.29
69	Property (31)	236.38	+0.8	2.90	3.03	66.25	234.44	236.01	233.65	232.14	185.76
70	Miscellaneous (7)	106.46	+0.5	24.54	7.48	5.64	105.89	106.02	105.94	106.03	89.42
71	Investment Trusts (50)	202.90	+0.3	3.32	4.88	30.14	202.37	203.81	203.75	203.31	170.58
81	Mining Finance (4)	99.55	+1.1	16.81	6.92	7.25	98.44	98.44	97.45	97.67	96.33
91	Overseas Traders (19)	317.28	+0.8	15.22	6.51	8.20	314.67	313.83	314.05	311.74	279.30
99	ALL-SHARE INDEX (673)	216.74	+1.1	—	5.46	—	214.45	215.29	216.31	215.18	186.37

FIXED INTEREST PRICE INDICES

	British Government	Wed. May 31	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	105.25	+0.20	—	3.63
2	5-15 years	115.70	+0.33	—	2.67
3	Over 15 years	120.05	+0.35	—	4.97
4	Irredeemables	126.38	+0.53	—	6.08
5	All stocks	112.93	+0.29	—	4.01

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Wed. May 31	Tues. May 30	Year ago (approx.)
1	Low Coupons	5 years	8.75	8.77	7.68
2		15 years	11.04	11.09	11.12
3		25 years	11.65	11.70	12.24
4	Medium Coupons	5 years	11.25	11.35	10.13
5		15 years	12.24	12.30	11.98
6		25 years	12.43	12.45	12.64
7	High Coupons	5 years	11.52	11.62	11.05
8		15 years	12.76	12.81	13.12
9		25 years	13.18	13.23	13.34
10	Irredeemables		11.59	11.65	12.39

		Wed. May 31 Index No.	Wed. May 31 Yield %	Tues. May 30	Friday May 26	Thurs. May 25	Wed. May 24	Tues. May 23	Mon. May 22	Friday May 19	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.54	†12.95	57.55	57.37	57.55	57.39	57.39	57.28	57.72	56.09
16	Investment Trust Prefs. (15)	52.91	13.44	51.75	51.70	51.70	51.75	51.62	51.62	52.35	54.27
17	Coml. and Indl. Prefs. (20)	71.72	12.91	71.79	71.95	71.83	71.90	69.85	69.92	70.30	70.09

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

LEADERS AND LAGGARDS

The following table shows the percentage changes which have taken place since December 30, 1977, in the principal equity sections of the FT Actuaries Share Indices. It also contains the Gold Mines index.

Gold Mines F.T.	+15.31	Pharmaceutical Products	− 0.61
Tobaccos	+12.51	Building Materials	− 1.17
Overseas Traders	+11.99	Consumer Goods (Non-Durable) Group	− 1.42
Mining Finance	+11.14	Entertainment and Catering	− 2.05
Office Equipment	+11.03	Electronics, Radio and TV	− 2.28
Chemicals	+ 8.29	Insurance (Life)	− 2.32
Toys and Games	+ 7.41	Merchant Banks	− 2.50
Mechanical Engineering	+ 7.03	Investment Trusts	− 2.64
Engineering Contractors	+ 5.78	Electricals	− 3.00
Textiles	+ 5.61	Insurance Brokers	− 3.42
Motors and Distributors	+ 5.57	Household Goods	− 3.56
Newspapers and Publishing	+ 5.29	Banks	− 3.63
Oils	+ 3.48	Food Manufacturing	− 3.82
Other Groups	+ 2.65	Property	− 4.20
Metal and Metal Forming	+ 1.88	Financial Group	− 5.50
Breweries	+ 1.76	Stores	− 7.40
Capital Goods Group	+ 1.44	Food Retailing	− 8.10
500 Share Index	+ 0.84	Shipping	− 8.86
Wines and Spirits	+ 0.62	Insurance (Composite)	−10.28
Packaging and Paper	+ 0.52	Discount Houses	−11.83
Industrial Group	+ 0.40	Hire Purchase	−12.25
Consumer Goods (Durable) Group	+ 0.36		
All-Share Index	− 0.04		
Contracting and Construction	− 7.20		

Percentage changes based on Tuesday, May 30, 1978 indices.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hill Samuel	§ 9 %
Allied Irish Banks Ltd.	9 %	C. Hoare & Co.	† 9 %
American Express Bk.	9 %	Julian S. Hodge	10 %
Amro Bank	9 %	Hongkong & Shanghai	9 %
A P Bank Ltd.	9 %	Industrial Bk. of Scot.	9 %
Henry Ansbacher	9 %	Keyser Ullmann	9 %
Banco de Bilbao	9 %	Knowsley & Co. Ltd.	11½ %
Bank of Credit & Cmce.	9 %	Lloyds Bank	9 %
Bank of Cyprus	9 %	London Mercantile	9 %
Bank of N.S.W.	9 %	Edward Manson & Co.	10½ %
Banque Belge Ltd.	9 %	Midland Bank	9 %
Banque du Rhone	9½ %	■ Samuel Montagu	9 %
Barclays Bank	9 %	■ Morgan Grenfell	9 %
Barnett Christie Ltd.	9½ %	National Westminster	9 %
Bremar Holdings Ltd.	10 %	Norwich General Trust	9 %
Brit. Bank of Mid. East	9 %	P. S. Refson & Co.	9 %
Brown Shipley	9 %	Rossminster Accept'cs	9 %
Canada Perm't. Trust	9 %	Royal Bk. Canada Trust	9 %
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	9 %
Cayzer Ltd.	9 %	E. S. Schwab	10½ %
Cedar Holdings	9½ %	Security Trust Co. Ltd.	10 %
Charterhouse Japhet	9 %	Shenley Trust	11 %
Choulartons	9 %	Standard Chartered	9 %
C. E. Coates	10 %	Trade Dev. Bank	9 %
Consolidated Credits	9 %	Trustee Savings Bank	9 %
Co-operative Bank	* 9 %	Twentieth Century Bk.	10 %
Corinthian Securities	9 %	United Bank of Kuwait	9 %
Credit Lyonnais	9 %	Whiteaway Laidlaw	9½ %
The Cyprus Popular Bk.	9 %	Williams & Glyn's	9 %
Duncan Lawrie	¶ 9 %	Yorkshire Bank	9 %
Eagil Trust	9 %		
English Transcont.	10 %		
First London Secs.	9 %		
First Nat. Fin. Corpn.	11 %		
First Nat. Secs. Ltd.	11 %		
Antony Gibbs	9 %		
Greyhound Guaranty	9 %		
Grindlays Bank	‡ 9 %		
Guinness Mahon	9 %		
Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%. 1-month deposits 6½%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 6½% and over £25,000 6¾%.
‡ Call deposits over £1,000 6%.
§ Demand deposits 6½%.
¶ Rate also applies to Sterling Ind. Securities.

NOTES

Prices do not include $ premium except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at 23rd May, 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	127.67
Clive Fixed Interest Income	113.51

CORAL INDEX: Close 476-481

INSURANCE BASE RATES

† Property Growth	9¼%
† Vanbrugh Guaranteed	9 %

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1978 High	Low	Stock	£	+ or —	Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
102¾	100	Treasury 10½pc '78‡‡	100	......	10.48	8.55
99⅝	98⅝	Exch. 5pc '76-78‡‡	98	......	5.06	8.66
105⅞	101	Treasury 11½pc '79‡‡	101⅞	......	11.29	8.85
97	94¼	Treasury 3pc '79‡‡	94⅞	......	3.16	7.18
97⅞	95⅛	Electric 4¼pc '74-79	95	......	4.45	7.92
104	100	Treasury 10½pc '79‡‡	100⅛	+	10.46	10.15
96½	94¼	Electric 3½pc '76-79	95⅜	......	3.67	6.87
103¼	97⅞	Treasury 9pc 1980‡‡	97	+	9.19	10.27
102	98	Treasury 9½pc '80‡‡	98⅞	+	9.61	10.34
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
19½	17	Antofagasta Rly.	19	......	—	—
34	33	Do. 5pc Pref.	33xd	......	—	—
98	98	Chilean Mixed	98	......	3	13.10
415	350	German Yng. 4½pc.	415#	......	4½	—
54	46	Greek 7pc Ass.	54xd	......	3½	16.48
51	46	Do 5pc '28 Stab. Ass.	51	+2	6	16.60
44	40	Do 4pc Mixed Ass.	43	......	4	14.76
55	42	Hung. '24 Ass.	55	......	4½	5.00
77	67	Ireland 6½pc '83-88	67	......	—	12.80
88	84	Ireland 7½pc '81-83	84½	+½	7½	12.62
91	80	Do 9¾pc '91-96	80¾	......	9¾	12.93

BONDS & RAILS—Cont.

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
375	265	Japan 4pc '10 Ass.	360	−5	—	—
87	70	Do 6pc '83-88	70	−2	6	11.40
160	145	Peru Ass. 3pc	155	......	3	1.95
75p	75p	S.G.I. 6½pc 1980	75	......	6½	8.67
$99	$94½	Turin 9pc 1991	$94½	......	9	9.52
DM87½	DM81	Turin 6½pc 1984	DM81	......	6½	10.70
94	94	Uruguay 3½pc	94	......	3½	3.80

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

1978 High	Low	Stock	£	+ or —	Div. Gross	Cvr	Y'ld Gr's
17⅛	13½	ASA	16¼xd	−⅞	80c	—	2.8
60½	60½	AMF 5% Conv. '87	60½	......	5%	—	14.8
31	22	Amax $1	27xd	−⅞	$1.75	—	3.6
31¼	21¾	American Express	29½	−⅜	$1.40	—	2.7
33½	11	Amer. Medic. Int.	20xd	+⅜	30c	—	0.8
15⅝	969p	Asarco Inc.	13¼xd	−¼	40c	—	1.7
29¾	18¾	Baker Intnl. Corp. $1	20¾xc	......	64c	—	1.7
19¼	11⅞	Barnes Grp. $6⅔	16½	−¼	90c	—	3.1
32½	22	Bendix Corp. $5	31⅝	−⅜	$2.28	—	4.1
[illegible]							

S.E. List Premium 45⅝% (based on US$1.8264 per £)

Conversion factor 0.6876 (0.6847)

CANADIANS

[illegible]

S.E. List Premium 45⅝% (based on $2.0487 per £)

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's	P/E
[illegible]								
100	81	Hill Samuel	89	+1	†4.32	—	7.4	—
600	425	Do. Warrants	462	......	—	—	—	—
272	203	Hong Shng. $2.50	270	......	hQ59c	—	2.6	—
86	65	Jessel Toynbee	73	−1	4.09	—	8.5	—
190	160	Joseph (Leo) £1	190	......	†8.01	—	6.4	—
50	37	Keyser Ullmann	50xd	+1	0.66	—	2.0	—
74	58	King & Shax 20p	59	−1	3.39	—	8.7	—
114	92	Kleinwort B.L.	103	......	4.12	—	6.1	—
297	242	Lloyds £1	282	+6	9.09	5.5	4.9	5.7
50½	42	Manson Fin. 20p	45	......	†2.79	1.5	9.4	11.2
134	106	Mercury Secs.	112	−2	3.39	—	4.6	—
*390	330	Midland £1	365	+5	14.75	4.3	6.1	5.7
£92	£78½	Do. 7½% 83-93	£87½	+½	Q7½%	21.1	18.9	—
£95¾	£83½	Do. 10¼% 93-98	£83½	......	Q10¼%	21.1	e13.1	—
64½	56	Minster Assets	60xd	......	3.55	ф	9.0	ф

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

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FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	180	......	Q50c	1.3	23.7
24	15	Rhod'n Corp. 16⅔p	15	......	0.56	7.1	5.7
80	52	Roan Cons. K4	80	......	—	—	—
175	122	Tanganyika 50p	171	−2	Q11.0	1.1	6.4
85	78	Do. Pref. 80p	85	......	Q9%	16.4	8.5
41	32	Wankie Col. Rh 1	35	......	†Q7½c	1.4	18.3
16½	10	Zam Cpr SBD0.24	16½	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
15	10	Acmex 25c	15	......	—	—	—
132	64	Bougainville 50 Toea	127	−3	Q8c	1.4	3.9
101	63	BH South 50c	97	−3	—	—	—
245	148	Conzinc Riotinto 50c	240	−5	Q10c	2.2	2.6
72	48	G.M. Kalgoorlie $1	53	......	—	—	—
138	81	Hamptn Areas 5p	131	......	1.45	4.1	1.7
40	10	Metals Ex. 50c	39	......	—	—	—
215	125	M.I.M. Hldgs. 50c	207	−7	Q9c	1.7	2.7
36	10	Mount Lyell 25c	36	+4	—	—	—
6½	1½	Newmetal 10c	5¼	......	—	—	—
119	79	North B. Hill 50c	119	+1	Q8c	1.5	4.2
15½	8½	Nth. Kalgurli	15½	+1	—	—	—
158	117	Oakbridge $A1	158	+6	†Q11c	1.9	4.4
48	30	Pacific Copper	48	......	—	—	—
£13¼	750	Pancont'l 25c	£13¼	+¼	—	—	—
38	12	Paringa M&Ex.5p	38	+8½	—	—	—
510	310	Peko-Wallsend 50c	510	......	Q15c	4.0	1.8
136	84	Westn. Mining 50c	128	+2	‡Q6c	1.4	‡
70	35	Whim Creek 20c	65	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	26	......	†2.51	1.6	14.6
360	240	Ayer Hitam $M1	355	−5	‡Q46.7c	0.9	‡
60	45	Beralt Tin	55	−1	3.75	4.4	10.8
290	200	Berjuntai $M1	285	−5	‡Q110c	φ	‡
145	111	Geevor	140	......	b4.51	3.4	4.9
10	8½	Gold & Base 12½p	10	......	—	—	—
290	220	Gopeng Cons.	290	......	15.0	0.9	7.9
165	130	Hongkong	165	......	—	—	—
93	78	Idris 10p	88	......	12.0	1.6	21.8
11	10	Jantar 12½p	10½	......	—	—	—
73	68	Kamunting $M0.50	68	......	ZQ15.5c	0.7	4.9
480	450	Killinghall	480	......	Q125	φ	26.0
400	280	Malay Dredging $M1	395	−5	†Q95c	0.8	5.2
70	40	♠Pahang	70	+2	‡Q3.75c	0.5	‡
62	50	Pengkalen 10p	62	......	6.5	1.3	15.9
210	165	Petaling $M1	210	......	†Q80c	1.6	8.7
61	49	Saint Piran	54	......	g1.99	4.6	5.6
61	47	South Crofty 10p	56	−1	b4.13	1.5	11.2
205	140	South Kinta $M0.50	200	−5	‡Q77.8c	1.4	8.4
305	230	Sthn Malayan $M1	300	−5	‡Q131.3c	2.1	9.4
208	134	Sungei Besi $M1	206	−2	—	—	—
75	55	Supreme Corp. $M1	75	......	ZQ10c	—	2.9
100	85	Tanjong 15p	92	......	6.5	φ	10.7
100	74	Tongkah Hrbr. $M1	96	−4	Q56.82%	1.6	12.7
220	148	Tronoh $M1	215	−2	ZQ88c	1.6	6.8

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
100	70	Messina R0.50	100	+2	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
17	9	Burma Mines 17½p	16	......	—	—	—
300	220	Cons. Murch. 10c	240	......	Q30c	2.6	7.5
395	245	Northgate C$1	395	+5	—	—	—
224	164	R.T.Z.	224	+2	9.5	2.8	6.4
46½	30	Sabina Inds. C$1	38	−1	—	—	—
£11⅞	750	Tara Exptn. $1	£11⅞	+⅛	—	—	—
45	43	Tehidy Minerals 10p	45	......	1.33	φ	4.5
167	120	Yukon Cons. C$1	165	......	Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	270	......
Clover Croft	22	......
Craig & Rose £1	420	......
Dyson (R. A.) A.	34	......
Ellis & McHdy.	62	......
Evans Fr'k.10p	57¢	......
Evered	16½	......
Fife Forge	50	......
Finlay Pkg. 5p	24	......
Graig Ship. £1	145	......
Higsons Brew.	82	......
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	265	......
N'thn. Goldsmith	55	......
Pearce (C. H.)	155	......
Peel Mills	20	......
Sheffield Brick	46xd	+2
Sheff. Refrshmt.	52	......
Sindall (Wm.)	85	......

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£90¼	......
Alliance Gas	73	......
Arnott	340	......
Carroll (P.J.)	92	......
Clondalkin	98	......
Concrete Prods.	130	......
Heiton (Hldgs.)	41	......
Ins. Corp.	148	......
Irish Ropes	120	......
Jacob	70	......
Sunbeam	29½	......
T.M.G.	165	......
Unidare	90	......

OPTIONS
3-month Call Rates

Stock	Rate
Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	14
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	20
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
KCA	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
N.E.I.	12
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org. 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5
Property	
Brit. Land	3¼
Cap. Counties	4½
E.P.	5
Intreuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼
Oils	
Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	20
Mines	
Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Thursday June 1 1978

Carter gives pledge on Europe's defence

BY REGINALD DALE

WASHINGTON, May 31.

PRESIDENT CARTER today gave a firm undertaking that the U.S. would use the full force of its military might, including strategic nuclear weapons, to defend Western Europe against an attack by the Warsaw Pact.

His statement to the NATO summit here was regarded as the strongest reaffirmation of the American commitment to Europe yet made by the Carter Administration.

The coupling of American strategic forces to Europe was critical, for it meant that an attack on Europe would have the same consquences as an attack on the U.S., President Carter said.

Mr. James Callaghan, the British Prime Minister, told a news conference that while he had not doubted the U.S. commitment, he was very greatly reassured to hear it so clearly restated.

Mr. Carter's pledge was in response to increasing anxiety in Western Europe at the growing power of Soviet nuclear delivery systems, such as the Backfire bomber and the SS-20 missile, which are targeted on Europe rather than the U.S.

In a speech to the summit, Herr Schmidt, the West German Chancellor, expressed growing concern about the increasing imbalance of such medium-range weapons in the field, particularly since it could not be corrected in the present round of strategic arms limitation negotiations—SALT II.

President Carter spoke on the summit's second and final day as heads of government approved the strengthening and streamlining of the alliance's conventional and nuclear forces over the next 10 years and more, under the so-called Long Term Defence Programme. This programme was an impressive answer to the challenge facing the alliance, Mr. Carter said.

A survey of East-West relations approved by the summit forecasts that the Soviet Union will continue to give top priority to its military build-up despite growing economic problems. The study predicts that the Soviet Union will continue to increase defence spending by almost 5 per cent a year in real terms in the coming years despite a decline in its conomic growth rate to little more than 3 per cent.

African views

The economic problems this causes may oblige Moscow to choose between repressive economic measures at home and seeking economic aid from the West. The West should be prepared to offer trade and credits but only at the price of a Soviet commitment to cut its military build-up and refrain from provocative activities in Europe and the Third World, the study suggests.

Mr. Callaghan warned Western governments against responding too hastily to Soviet and Cuban intervention in Africa. Before the West rushed in with instant solutions, it must be quite sure it had correctly analysed the problem and listened to the African viewpoint, he stressed.

The Prime Minister appeared to be directing his remarks at governments like those of France and Belgium which would like to see the early creation of a pan-African peace-keeping force for Zaire. The UK is unenthusiastic about the idea.

Attempting to clarify the American position, Mr. Hodding Carter, the State Department spokesman, said the concept of stationing African forces in Zaire's Shaba province was worth considering.

The proposal will almost certainly be examined at the five-nation meeting on aid to Zaire in Paris next Monday called by the French.

Mr. Callaghan said that in the long term, Moscow's African ventures might not bear too much fruit. Whether the Soviet Union made medium-term gains depended on the intelligence of the West's response. However, he did not want African peoples to be subjected to a period of enforced Marxism if that could be avoided.

GKN concedes defeat in £55m bid for Sachs

BY STUART ALEXANDER

THE £55M bid by Guest Keen and Nettlefolds to raise its holding in Sachs, the West German components manufacturer, from just under 25 per cent, to 75 per cent, has failed.

The British engineering company's lawyers conceded defeat yesterday, withdrawing an application to Count Otto Lambsdorff, German Economics Minister, asking him to reverse the decision of the West German Supreme Court which blocked the merger.

"Having considered the written judgment, we do not think it is worth pursuing the application any more," GKN said yesterday.

West Germany's Supreme Court had decided in February to uphold an appeal by the Cartel office against the merger because of the dominant position it would give GKN in the market for clutches and the overall financial power of the ombined group. It also required GKN to show that it would be in Germany's economic interest for the merger to go ahead.

The appeal to the Minister was lodged in March, but Sachs did not formally identify itself with it. No ruling was ever made by the Minister but it is thought there was little chance of a reversal if GKN had gone ahead with the application.

GKN still holds 24.98 per cent of the Sachs shares, which it considers a profitable investment, but the company is looking for expansion opportunities, at home, in Continental Europe and in North America, and is thought to be less interested in investment shareholdings.

It is primarily concerned with strengthening its position as a trans-national components group with the resources to compete with American and Japanese manufacturers. The link with Sachs formed a major part of this strategy.

The German court ruling has raised doubts about the future of mergers between the major European component manufacturers.

GKN has high hopes of increasing its activities in the U.S. when a plant to make constant-velocity joints for front-wheel-drive cars begins production next year.

Although upset by the Sachs setback, Mr. Barrie Heath, GKN chairman, said recently: "We have quite a lot of other irons in the fire."

THE LEX COLUMN

Reed displays its scars

Index rose 6.3 to 478.8

The gilt-edged market was taking its cue from sterling yesterday, which rose by 1½ cents against the dollar and helped push prices of long dated stock £⅝ better. However, sterling was not alone. All of the major European currencies strengthened against the dollar and on a trade weighted basis sterling closed unchanged.

If anything, the background news for the gilt-edged market is looking a little bleaker. There is increasing talk of U.S. prime rates of 9¾-10 per cent by the year end and yesterday's U.S. consumer price figures confirm that inflation across the Atlantic has been running at an annual rate of 10 per cent over the last three months. Meanwhile the latest National Institute Economic Review is talking of 10 per cent. inflation here in the U.K. by the last quarter of 1978, which is a far cry from the Government's 7 per cent. forecast.

Reed Int.

Reed International is cutting its dividend from 13p to 8p per share (where it costs £9m) after a year in which shareholders' funds have dropped by £56m to £356m including intangibles. But the overall tone of the lengthy preliminary statement is soothing, which was enough to lift the battered share price by another 6p to 128p yesterday.

The trading news is encouraging. Pre-tax profits have risen from £74.6m to £81m, thanks to a remarkably strong final quarter in the UK, where an upturn in publishing helped to push profits for the three months up by two-fifths to £27.7m. Overseas, Reed suggests that pulp prices are bottoing out in Canada at a time when trading losses there are already being reduced.

So the group expects to be able to maintain its dividend in the current year. And the financial position now appears to be stable enough for the problems to be tackled in a methodical way without Reed having its hand forced by cash needs.

But there is still a very long way to go. Borrowings have fallen by a tenth over the year, yet loan capital still amounts to £377m of which a third is repayable in five years. This compares with tangible net worth of £183m, and last year's big write-offs raise further questions about the quality of the balance sheet. Disposals raised £40m over the year—but required write-downs of £19m. The shake up in Canada, which still accounts for nearly a quarter of capital employed, required extraordinary provisions of £23m. And exchange losses amounted to no less than £30m. This figure would have been £8m lower but for the fact that the overseas subsidiaries account on a calendar year basis, yet the main explanation is that Reed has too many soft currency assets and hard currency liabilities.

Reed could take several years to get back into shape. Meanwhile a yield of 9½ per cent and market capitalisation of £141m is not in the bargain basement.

Lonrho

Things have not been as rosy for Lonrho as the 8 per cent increase in interim pre-tax profits (to £42.1m) suggests. First of all, the current figures have been substantially boosted by the treatment of House of Fraser and SUITS as associates for the first time. Together, these have probably added around £7m. On the other hand, the Holt business in Nigeria is now a 40 per cent associate, and its profits have taken a dip. Then again, there is the inclusion of the AVP hotel business which was acquired during last year's second half. So overall it is difficult to see how underlying profits for the first six months can have shown any growth at all.

The treatment of the House of Fraser may raise a few eyebrows. To qualify for associate status, Lonrho has to have more than 20 per cent of the Fraser shares (which it has) and be in a position to exercise significant influence over it. Apparently, Lonrho has convinced its auditors of the latter point too. A further aspect is that Lonrho is equity-accounting House of Fraser profits for the six months to January, instead of the exact corresponding period. Though this boosts pre-tax profits now, the impact will be far less favourable for the second half.

At 67p, Lonrho's shares are at their lowest for the year and yield 15 per cent. The market capitalisation is no more than £126m.

Marley

Marley's interim pre-tax profits are 11½ per cent higher at £7.5m but it is clear that the upturn in the UK is taking longer to filter through than had been anticipated only a few months ago. Then, analysts were estimating that 1978 profits would rise by around a third to £21m but it now looks as if profits are only likely to recover to the 1976 level of around £18m.

In the first half, all of the profit increase has come from overseas, and is due almost entirely to a recovery in the reorganised French operation. Last year's £0.5m loss has been turned into a £0.4m profit. However, there is not much scope for a further sharp improvement here and while the important Irish subsidiary should improve its performance this year, the Canadian and South African operations are finding the going difficult.

Marley's UK profits have actually slipped slightly in the first six months. On the roofing tile side, which contributes perhaps a third of domestic profits, deliveries were 6 per cent higher, but this has been more than offset by a £0.3m downturn in export profits and margins on the plastic extrusion side have also been under severe pressure. The rise in consumer spending should soon start to feed through to Marley's home improvement business but as with many other UK companies it is taking longer than expected. At 78p the shares yield 5.0 per cent.

Brezhnev accuses West of Zaire propaganda

BY OUR FOREIGN STAFF

MR. LEONID BREZHNEV, the Soviet President, responded yesterday to Western criticism of Communist involvement in Africa and fears over the Warsaw Pact arms build-up by accusing the West of "cynical interference" in Zaire and of "trying to mar the process of detente."

He told a select audience of Czech party and state officials at a rally in Hradcany Castle, Prague, that NATO circles "are trying to avert attention from the cynical character of this intervention by masking it in a propaganda campaign about supposed Soviet and Cuban participation in these events."

Mr. Brezhnev—who looked tired and delivered his speech in a halting fashion—avoided criticism of the U.S., France and Belgium by name. But he attacked "political circles which are openly trying to mar the process of detente, not only in Europe, and to return, if not to the Cold War, then at least to a lukewarm war."

He also complained that Western leaders at the current NATO summit in Washington were "discussing plans for new warlike preparations for many years in davance" and contracted this with Soviet plans for disarmament.

"There does not exist any type of weapon that the Soviet Union would not be willing to limit and ban on the basis of mutual agreements with other states," he said.

However, disarmament had to take place "without damaging the security of anybody and under conditions of complete mutual agreement between those states which own the arms."

Turning to internal politics, the 71-year-old Soviet leader told his Czech audience that they had stood with honour the difficult test after the 1968 intervention by Warsaw Pact troops.

He praised Mr. Gustav Husak, the Chech president and party chief, as "an outstanding son of the Czechoslovak people" and "a prominent personality of the world Communist movement."

Mr. Husak responded in kind, thanking the Soviet Union for "fraternal international assistance which in 1968 saved the country from counter-revolution."

He added that "ever-closer integration with the Soviet Union and Comecon is the main line of Czechoslovakia's future economic development" and coupled his remarks with a sharp attack on the "dangerous and adventurous policies of the Chinese leadership."

The ceremony was televised, but half of Mr. Brezhnev's 30-minute speech was blacked out by a technical breakdown which unconfirmed rumours circulating in Prague attributed to sabotage of a television cable.

● Dissident Czech sources confirmed that at least 14 prominent human rights activists, including Dr. Ladislaus Hejdanek, a Protestant theologian and one of the three principal spokesmen of the Charter 77 movement, were taken into custody in a pre-dawn police raid on Tuesday, a few hours before Mr. Brezhnev's arrival.

The latest round-up appears to be the largest police action since the movement began 17 months ago.

Guarantees blamed for Meredew's fall

BY CHRISTINE MOIR

GUARANTEES to the tune of £13.7m for borrowings by other companies in the collapsed Bond Worth group were blamed yesterday for the failure of D. Meredew, the furniture-making subsidiary.

Unsecured creditors of the company, of Letchworth Garden City, Herts., were told at a liquidation meeting in London that they could expect not a penny of the £2.086m owed them.

The picture of the company's affairs outlined by Mr. Norman Saddler, the Official Receiver, reaffirmed earlier views that National Westminster Bank was unlikely to recover all the £15m borrowed by the group.

Mr. Anthony Charles Brown, Meredew's managing director, blamed the cross-guarantees for his company's collapse. The amounts owed directly by Meredew, £819,000 to preferential creditors and £883,000 by way of an overdraft to National Westminster, had proved that Meredew itself remained commercially viable.

Now the cross-guarantees meant that the bank would take all Meredew's assets valued by the Official Receiver at £3.07m.

Bond Worth as a whole is said to have an assets deficiency of more than £28m, though sales of subsidiaries may reduce this level to a degree.

The century-old furniture-making business of Meredew, it was learnt, has been transferred to a new company, Meredew Furniture, when the Receiver, Peat Marwick, Mitchell has begun attempts to sell it.

ACAS faces challenge on union recognition

BY ALAN PIKE, LABOUR CORRESPONDENT

THE EXTENT to which the Advisory, Conciliation and Arbitration Service should take individual wishes into account when making union recognition recommendations will be examined in the High Court next week.

A hearing has been arranged for Wednesday in a case where the United Kingdom Association of Professional Engineers will seek to set aside an ACAS decision at W. H. Allen Sons and Co. a Bedford engineering company. ACAS failed to recommend recognition for the association, which is not a party to the engineering industry's national agreements, although a survey showed 79 per cent support among the W. H. Allen staff it wanted to organise.

The outcome of next week's hearing is likely to have considerable implications for the handling of recognition claims.

In a number of decisions, ACAS has taken the view that the opinion of employees directly involved is not the only factor to consider when making its recommendations. Both established unions and the Engineering Employers Federation have argued that an outside union should not win recognition in the industry simply by gaining majority support in one company.

One of the first cases to be affected by the decision will be another ACAS finding against the association in the water industry.

ACAS says in its report, published yesterday, that the maintenance of good industrial relations in the industry depends on continued successful working of the existing negotiating machinery and "it would appear inevitable" that this would be "damaged and possibly destroyed" if the association were recognised.

In a survey conducted by ACAS, 73 per cent of employees decribing themselves as professional engineers said that the association should have a place in the negotiating machinery. In a wider survey of all 31,500 staff in water service, 55 per cent of the 52 per cent who replied opposed the association's claim.

These results led Mr. John Sampson, general secretary of the association, to say yesterday that ACAS had "come to the conclusion that the wishes of a minority of the non-involved people should carry the day."

Weather

UK TODAY

SUNNY and hot, some thundery showers.

London, S.E., Cent. Southern England, E. Anglia, Midlands, Channel Is.

Sunny spells, hot thundery showers. Max. 26C (79F).

S.W., N.W., Central Northern England, Wales, Lakes, I. of Man

Sunny spells, hot thundery showers. Max. 23C (73F).

East, N.E. England

Coastal fog. Sunny periods. Max. 22C (72F).

Borders, Edinburgh, Dundee, Aberdeen, Moray Firth

Sunny spells. Very warm. Max. 20C (68F).

S.W., N.E., N.W. Scotland, Glasgow, Cent. Highlands, Argyl, N. Ireland

Sunny spells. Showers. Hot inland, cooler on coasts. Max. 23C (73F).

Orkney, Shetland

Dry and hot. Max. 18C (65F).

Outlook: Hot and sunny, some thundery showers.

Forecast for June: Dry and mainly warm, but with some cool and less settled interludes, particularly later in the motnh. Rainfall mostly near average.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsterdm.	S	26	79	Luxembrg.	S	22	72
Athens	C	23	73	Madrid	S	21	70
Bahrain	C	40	104	Manchstr.	S	26	79
Barcelona	S	20	[illegible]	Melbourne	C	11	52
Beirut	C	23	73	Milan	C	21	70
Belfast	S	22	72	Montreal	C	27	81
Belgrade	R	21	70	Moscow	F	12	54
Berlin	S	27	81	Munich	S	22	72
Birmghm.	S	24	75	Newcastle	S	19	66
Bristol	S	25	77	New York	F	28	82
Brussels	S	26	79	Oslo	S	23	73
B. Aires	S	11	52	Paris	S	25	77
Cairo	S	[illegible]	[illegible]	Perth	C	22	72
Cardiff	S	25	77	Prague	S	23	73
Chicago	S	25	77	Reykjavik	R	6	43
Cologne	S	26	79	Rio de J'o	R	22	71
Copnhagn.	S	25	77	Rome	F	23	73
Dublin	S	21	70	Singapore	R	26	78
Edinbrgh.	S	17	63	Stockholm	S	25	77
Frankfurt	S	24	75	Strasbourg	S	23	73
Geneva	S	22	72	Sydney	R	14	57
Glasgow	S	23	73	Tehran	S	31	87
Helsinki	S	23	73	Tel Aviv	S	25	77
H. Kong	C	27	[illegible]	Tokyo	S	22	71
Jo'burg	R	20	68	Toronto	S	24	75
Lisbon	C	19	66	Vienna	S	22	72
London	S	25	77	Zurich	S	20	68

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	21	70	Jersey	S	25	77
Algiers	C	21	70	Las Plms.	C	21	70
Biarritz	S	25	77	Locarno	C	21	70
Blackpool	S	27	81	Majorca	S	23	73
Boulogne	S	26	79	Malaga	S	20	68
Casablnca.	C	20	68	Malta	S	24	75
Cape Town	S	18	64	Nairobi	S	22	71
Corfu	F	25	77	Naples	F	21	70
Dubrovnik	S	22	72	Nice	S	22	72
Florence	F	22	72	Nicosia	S	22	72
Funchal	S	19	66	Oporto	C	16	61
Gibraltar	S	20	68	Rhodes	S	23	73
Guernsey	S	24	75	Salzburg	S	23	73
Innsbruck	F	23	73	Tenerife	C	16	61
Inverness	F	19	66	Tunis	F	24	75
I. of Man	S	19	66	Valencia	F	21	70
Istanbul	S	22	72	Venice	F	23	73

Continued from Page 1

Petrol likely to rise

been recently involved in price-cutting.

If competitors increased prices in highly competitive areas, Shell would almost certainly follow suit.

A general increase in petrol prices has been on the cards for several weeks. Several top industry executives have expressed concern about the effect of a continuing price war on company profitability.

Last month BP, the third biggest brand name in the UK, said that prices would have to rise by about 10 per cent over the next few years.

The company claimed that in real terms petrol prices were now the same as in 1973 when crude oil costs were raised by 400 per cent.

Sluggish market growth, a general over-supply of oil products and a bid by big companies to hold on to their market shares against renewed competition from smaller groups have combined to make petrol retailing particularly competitive.

In April last year, many oil companies were given Price Commission sanction to raise petrol prices by 1.5p to 2p a gallon. But the level of competition has meant that this increase has been largely lost in discount offers.

The industry is hoping that petrol sales will rise by at least 2.5 to 3 per cent this year.

Companies say that, given higher prices, the petrol sector could help to improve their financial position at a time when the markets for most of the other main oil products continue to be depressed.

Petrochemical aids run into trouble

BY KEVIN DONE, CHEMICALS CORRESPONDENT

INITIATIVES to speed development of the petrochemicals industry based on North Sea oil and gas appear to be foundering in joint Government-industry discussions.

Several proposals were made last winter in a confidential report from McKinsey, the management consultancy, to the petrochemicals sector working party as part of the Government's industrial strategy exercise.

The working party, co-ordinated by the National Economic Development Office, consists of representatives of the major chemical companies, the trade unions and the Industry Department.

The McKinsey recommendations included a national authority to develop petrochemical sites, financial incentives to the chemicals industry by low-cost gas feedstocks, possibly through a reduction in Petroleum Revenue Tax, and a commitment from the Government to build a gas-gathering pipeline system for the important natural gas liquids ethane, propane and butane.

The aim was to increase the UK share of the West European plastics market. The plastics sector is the biggest single user of base petrochemicals, which the Government and trade unions are keen to expand with new opportunities offered by North Sea oil and gas feedstocks.

The Industry Department, which has prepared its response to McKinsey, has ruled out the use of Petroleum Revenue Tax as a way of offering cheaper feedstocks to the industry.

It has rejected suggestions that the tax be reduced in some cases to cut the cost of gas feedstocks such as ethane for new producers. Changes in the tax, levied on North Sea operators' profits, would have little effect on feedstocks prices, the Department has told the working party.

The Department holds that the best way to reduce feedstock prices is by direct subsidy. It has the means available to do this under the Industry Act, 1972, but such a move might fall foul of EEC legislation.

More importantly, chemical producers in the UK have come out against feedstock subsidies. They are wary of Government-created subsidies, which could be withdrawn later.

The industry is concerned that established producers would be unfairly discriminated against if newcomers to the market were given special privileges. It has campaigned equally against artificially low feedstock prices available in the U.S. and does not wish to be seen switching sides in the international debate.

The idea of a national authority to promote petrochemical sites is unlikely to be given support.

The Department of Industry is willing to offer guidance to foreign companies, and has knowledge of sites available. It has set up a committee to co-ordinate local efforts to identify petrochemical sites.

Several overseas missions are planned by the Government later this year, some at Ministerial level, to promte the UK as a base for chemicals expansion, particularly to U.S. companies.

The ambitious plan to build a £5bn gas-gathering pipeline network in the North Sea is unlikely to go ahead.

Estimates of the natural gas and gas liquids that might be available in the UK sector of the North Sea for collection by a totally new pipeline system appear to have been reduced.

Without such a scheme the amounts of natural gas liquids available as petrochemical feedstocks to stimulate the industry's expansion would be significantly reduced.

With falling growth, severe over capacity and weak prices generally in the European chemical industry, the climate is hardly attractive for Britain to press ahead alone with petrochemical expansion based on North Sea feedstocks.

British-based companies have said for several months that any expansion must be based on demand, not mere availability of extra feedstocks.

BP in Singapore joint venture, Page 34

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.
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